FINANCIAL TIMES



Eastern Europe Long day's journey to the market



Electronic purse The everlasting smartcard



The guns that fire toffee



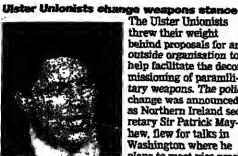
Antitrust friction

US tries to send its laws abroad

Yeltsin moves to liberalise Russian trade

World Business Newspaper

Russian president Boris Yeltsin signed decrees revoking all import and export privileges granted to Russian companies in a move which could pave the way to a radical liberalisation of Russian trade. The decrees, prepared in co-operation with Russian prime minister Victor Chernomyrdin, appear to remove one of the biggest remaining hurdles to an agreement between Russia and the international Monetary Fund, which has been pressing Moscow to liberalise its foreign trade regime. Page 16; Chechnya crisis delays EU-Russia trade pact. Page 4; The long day's journey to market, Page 15



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The Ulster Unionists threw their weight behind proposals for an outside organisation to help facilitate the decommissioning of paramilitary weapons. The policy change was announced as Northern Ireland secretary Sir Patrick Mayhew, flew for talks in Washington where he plans to meet vice-presi-

dent Al Gore (above), secretary of state Warren Christopher and national security adviser Tony

Turkey and EU agree customs pact: The European Union last night agreed a customs union accord with Turkey, a landmark deal which breaks Greece's block on closer economic and political ties between Ankara and the EU. Page 16

Volvo to buy out Clark's stake in VME: Swedish motor manufacturer Volvo is to take full control of VME, one of the world's largest construction and earthmoving equipment makers, by buying out Clark Equipment, its US partner, for \$573m.

Dasa in Asia jet venture: Daimler-Benz Aerospace, aviation division of Germany's higgest company, teamed up with several South Korean companies, including the Samsung group, to develop a commercial jet in the 100 to 120-seat cate-

UK minister quits over attair: Robert Hughes, 43, a UK junior minister, resigned after admitting to an extra-marital affair. He was the 13th member of prime minister John Major's government to leave over alleged improprieties. Page 8

Spie Batignolles plans to restructure: Spie Batignolles, quoted construction and civil engineering company controlled by Groupe Schneider. warned of substantial additional losses in 1994 as a result of depression in the French property market

China promises spending curbs: China pledged further curbs on wasteful spending in au effort to ease inflationary pressures and restrain its budget deficit, expected to reach Yn66.6bn (\$7.9bn) this year. Page 7

WTO candidate 'too protectionist': The Clinton Administration opposes the candidacy of Renato Ruggiero, the European Union choice to 'head new World Trade Organisation, because he is more protectionist than we would like", the White

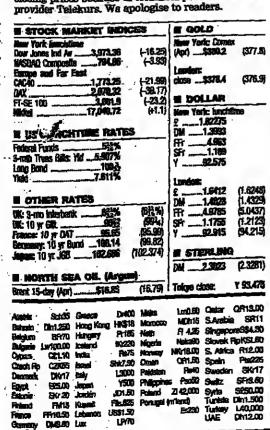
Hillsdown plans to sell Canadian interests: UK conglomerate Hillsdown Holdings is ending its eight-year involvement in the North American food processing industry by tentatively agreeing to sell its 56 per cent stake in Toronto-based Maple Leaf Foods. Page 17

BAe cuts borrowing costs: British Aerospace is refinancing its banking facilities for the second time in two years to cut its borrowing costs and increase the company's flexibility. Page 17

US oil group to develop Iranian field: Concoco, oil and gas subsidiary of Du Pout, is to develop two offshore Iranian oilfields, marking what is thought to be the first US investment in the country's energy sector since the Iranian revolution

Russian crime wave 'threatens state': Russia's Security Council warned that organised crime in Rossia was becoming so serious that it posed a threat to state security. Page 4

WORLD STOCK MARKETS The world stock markets data on Pages 33, 34 and 35 in today's edition have not been updated with closing prices because of technical problems at data



Exotic weapons



TUESDAY MARCH 7 1995

Dollar slides with lack of support European rates hit record lows Currency crises lift D-Mark

By Philip Gawith and Philip Coggan in London and William Dawkins in Tokyo

Turmoil swept the foreign exchange markets yesterday, as the failure of Friday's central bank support for the dollar and the weekend devaluation of the Spanish peseta and Portuguese escudo caused a renewed flight to the safe haven of the D-Mark.

There was no further concerted support for the dollar, which fell to an all-time low of Y92.40 in afternoon trading in Europe hav-ing earlier touched its historic low against the D-Mark of DM2.3860 in Aslan trading.

While the dollar was fairly steady in Europe, most European currencies suffered heavy losses against the D-Mark. Currencies which reached new lows included the French franc and Italian lira, the Spanish peseta and the Portuguese escudo.

In Tokyo, Mr Masayoshi Take-mura, the Japanese finance minister, told an emergency meeting Against the D-Mark (\$ per DM) Against the Yen (V per \$)

of government and opposition parties: "We have been intervening until now, but I'm worried as there has been no visible effect.

The Japanese government urged closer co-ordination among members of the Group of Seven leading industrial countries to combat exchange rate pressures. The Bank of Japan was the only central bank to back the dollar.

The dollar's continued fall rekindled warnings from Japa-nese business leaders that export-

ers would be unable to cope withthis fresh erosion of their international competitiveness.

Elsewhere, sentiment towards the dollar remained negative, with most observers expecting it to fall further. Mr Mark Cliffe, chief international economist at HSBC markets in London, said: on the dollar."

Pages 2 and 3

A test for the ERM ☐ Madrid's brave face

Dollar mugged Yen heads for danger ☐ Lisbon follows reluctantly

Editorial Comment, Page 15: Lex, Page 16, Currencies, Page 27; London stocks, Page 32; World stocks, Page 36

pfennies, and three cents, in late European trading. It was last night at DM2.2672, a record low.

Exchange rate pressures have built up in recent weeks as the fall-out from the Mexican financial crisis and political uncertainty in Europe has driven investors into the D-Mark. The belief that US interest rates have

markets. Earlier the US Federal Reserve had been forced to deny a rumour that the policy-making Federal Open Market Committee

there was no emergency meeting scheduled to discuss currency

was having an emergency meeting to discuss the dollar. After falling sharply in Asian trading, the dollar traded steadily in Europe. Dealers were reluctant to sell the dollar aggressively for fear of being caught out by further intervention. Traders said

the dollar was also in a quiet period following the sharp falls of recent days. Currency pressures spilled over into US and German bond mar-

Mexican peso falls to new low against absence of comment yesterday from US and European bankers and politicians about current dollar exchange rate tensions. Canada current chairman of the G7, said

By Stephen Fidler, Latin America Editor, in London

The Mexican peso slumped to a new all-time low against the dollar yesterday, raising questions about whether the International Monetary Fund and the US will be willing to provide further

finance for the country. The gloom over the currency was hlamed on uncertainty about the government's economic policy and worries about the health of the financial system following the government takeover of a bank last week. There were also questions about the ability of the administration of President Ernesto Zedillo to handle both a deep financial cri-

sis and a political crisis. In an apparent reaction to Mexico's difficulties, Brazil changed its currency regime yes-terday, prompting a fall in the Real of more than 2 per cent. However, the move was not viewed as a panic measure but rather an attempt to avoid the build-up of Mexican-type pres-

sures on the economy. Mr Paulo Leme, an economist at Goldman Sachs in New York, said Mexican peso weakness was also explained by the continued expansion this year of money supply by the central bank at a time of falling money demand. Excess pesos were thus being converted into dollars and put ting the exchange rate under

The developments mean that foreign creditors, including the IMF and the US, may be unwilling to put up further large amounts of credit as part of a \$50bn rescue package announced at the end of January, some observers said.

Given the criticism of the resunpopularity in the US, "there is no way that the [US] Treasury will do it again," said Mr Rudi-ger Dornbusch, economics pro-fessor at the Massachusetts Institute of Technology

In Brazil, the central bank said it was introducing a system of bands within which the Real can float against the US dollar. It

Continued on Page 16

"I think the market is still gearkets. In the US, the 30-year Treasury bond was down by nearly a ing up for another major assault peaked, while German rates are expected to rise later this year, point in early New York Sterling was also a victim of has added to D-Mark strength. D-Mark strength, plunging four Continued on Page 16 There was a conspicuous Dutch bank ING given

By John Gapper, David Wighton and John Mason

Internationale Nederlanden Group, the Dutch bank, was yesterday cleared to acquire the operations of Barings, the failed UK merchant bank, in spite of the concerns of holders of £100m (\$163m) of bonds, who stand to lose most of their money. ING received High Court

approval, as well as clearance from the Bank of England, for a deal under which it will take on losses - now estimated at £860m - allegedly built up by Mr Nick eeson. its Singapore-based trader in financial derivatives. Mr Aad Jacobs, ING chairman,

said most Baring staff would be paid 1994 bonuses, although executive directors on Barings' board had waived them and senior employees directly involved in losses would also be denied them. The deals means Barings' other creditors, depositors and customers should receive money owed to them in full. Mr Jacob said ING was "going to pay the bonuses, but you cannot expect that we will pay the bonus for example to

Mr Leeson". Mr Jacobs expressed faith in management and information technology systems used by Barings to control risk in the Barings Futures (Singapore) unit, formerly managed by Mr Leeson, who is detained in a Frankfurt

clearance to buy Barings Special reportsPage 18 Muted bark of market watch-

...Page 7 dog Letters, Page 14; Editorial Comment, Page 15; Observer,

Page 15; Lex, Page 16

prison. He said all senior executives of the group would be employed by ING, working under Mr Hessel Lindenbergh, its board member for investment banking, at least until the Bank of England's inquiry into the affair was complete. ING will take on the £860m los es and will inject £660m into the securities, corporate finance and asset man ment arms. After taking into account original shareholders' funds of £440m, the new business

will have net assets of £240m. ING is not acquiring the holding company Barings plc, and is offering £5m to purchase £100m of perpetual subordinated capital issued in January last year. It may eventually make a further £20m payment towards re-paying Mr Jacobs said ING was taking

on only liabilities that had been discovered by yesterday, and future claims would fall on Barings plc, which is likely to be put in liquidation by the bank's administrators, Ernst & Young. The deal, agreed with adminis-trators on Sunday in the hope of

retaining employees and clients. will allow the three Barings operations acquired by ING which has £135bn of assets, to continue trading under the same Vice-Chancellor Sir Richard Scott, the high court fuck he sympathised with bondholders

who might be less well covered

by the rescue than under a liquidation. However, this was insufficient reason to block the accord. Under liquidation, creditors of Baring Brothers, the merchant bank, would have received 60p to 70p in the pound, Baring Securities' creditors between 20p to 30p, and those of the asset manage

ment business an uncertain

Brazil allows Real to fall, Page 6

French utilities giant set to bid for UK water company

Boutros Boutros Chali, UN secretary-general, called for a "new social

contract" as he opened the UN's poverty summit in Copenhagen,

yesterday. He told the 13,000 delegates that more than one in four

people lived in poverty. Members are to consider committing 20 per

cent of domestic spending to welfare programmes.

By Peggy Hollinger in London, Chris Tighe in Newcastle and John Ridding in Paris

Lyonnaise des Eaux, the French utilities and communications giant, yesterday signalled its intention to launch the first takeover bid for a major UK water

and sewerage company.
It revealed plans to make a cash offer for Northumbrian Water, but said it wanted to settle the regulatory framework before putting a cash offer on the table. Analysts said yesterday they expected a bid to be pitched at about £8.50 a share, which would value Northumbrian at \$582m (\$925m), Northumbrian's shares closed last night at

CR 70. Water company shares jumped sharply, but there was little expectation that Lyonnaise's declaration would lead to an immediate bid for another water company, even though the first bid for an electricity company prompted widespread takeover speculation in the power sector.

LIK News

Leader Page

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"There is not likely to be another bid right away," said Mr Robert Miller-Bakewell, water analyst with Nat West Securities," although if someone wants to enter the fray, they would be sensible to declare an interest

Lyonnaise must clear severalPage 16 French cast bread on North-

hurdles before it makes its cash bid. UK regulation requires any offer for a water company with assets of more than £30m to be referred to the Monopolies and Mergers Commission, which would force a bid to lapse. The potential bid would also be subject to European Union competi-

tion rules. The UK's Department of Trade and industry was in discussions with the European Commission yesterday, but said it expected regulatory issues to be examined by the MMC while the Commistive issues. The Office of Water Services, the UK regulator, said yesterday it saw no difficulties with a potential takeover, even from a foreign company, as long as customers benefited from any savings. It will contribute evidence to the MMC inquiry.

Lyonnaise said it had declared its interest in order to get the regulatory process started, which could take up to three months. It did not expect to announce a formal cash offer until the summer.

Lyonnaise described the offer as a strategic move, consistent with its policy of expanding its water activities in international markets. A series of acquisitions and investments over recent years have taken its total number of water services customers to more than 40m, of which more than 26m are outside France.

Northumbrian's initial response was frosty. "Lyonnaise's unsolicited response is unwelcome," Mr Mike Taylor, Northumbrian's finance director

CONTENTS Managed Funds Money Markets .. Commodile Arts Guide Peneral Issues ... FT Acquaries Share Information ____28.29 FT World Actuar Traditional Options.... Foreign Exchanges London SE ... Hd Cap Mids

"I know it's late, but I'd like some sushi. How far do I have to go?"



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FT Correspondents look at the background and implications of the peseta and escudo devaluations

A test for the ERM and a warning for Emu

By Peter Norman

Never underestimate the capacity of policymakers to make a virtue out of necessity. The weekend devaluations of the Spanish peseta and Portuguese escudo in the European exchange rate mechanism yesterday prompted a chorus of upbeat remarks about the state of the ERM and the prospects

union in Europe. Mr Yves-Thibault de Sliguy, who recently became European commissioner for monetary affairs, took what seemed a decisive shift along the spectrum from Europe's official monetary cheerleader to unashamed Pollyanna when he declared that the weekend realignment was "proof that the exchange mechanism is

for economic and monetary

Through his spokesman, he

let it be known that the planned creation of a European single currency was not

Mr Theo Waigel, the generally genial German finance minister, is aometimea provoked by international mone-tary events into showing a

ter. Not so yesterday.
"The measures", he said, "underscore our readiness to make currency adjustments when necessary. This ensures the viability of the European Monetary System for the future as well."

However, Europe's central banks were noticeably silent in the aftermath of the weekend activities. It was far from clear whether the 7 per cent devaluation of the peseta and the 3.5 per cent devaluation of the Portuguese escudo presaged calm in the ERM. First, it took the secretive - the panel of national trea-sury and monetary officials almost 11 hours to reach a decision at its emergency ses-

sion on Sunday evening in

The mood was soured from the outset because the Portuguese felt the Spanish call for a devaluation left them no option but to follow suit because of the inter-dependence of the two Iberian econo-

Yesterday's initial reaction on the foreign exchanges was not encouraging. The French franc fell to an all-time low against the D-Mark of FFr3.551. Although still some way off the FFr3.8948 intervention point at which the Bank of France would have to sell D-Marks and buy francs, the new low for the French currency was a reminder that it

had lost 2 per cent of its value

against the D-Mark within a month.

For many months, the 15 per cent ERM fluctuation margins, which were agreed in August 1993 after a year of turmoil in the EMS, appeared so wide as to banish all thought of currency crisis in the ERM. The slide of the peseta and its weekend devaluation bas revived this spectre.

If the French franc was under attack yesterday, bow long would it be before foreign exchange speculators levelled their sights on other curren-Mr Brian Martin, currency

analyst at Barclays Bank in London, predicted yesterday that "ripple effects" might spread from the French franc to the Belgian franc, Danish krone and Irish nunt. in particular, Belgium's high

public debt level, at 136 per In such circumstances, and cent of gross domestic product,

could undermine confidence ahead of an election, the tricht treaty, this exchange

It is just possible that the current ERM tensions are primarily a product of the dollar's weakness. On this argument, the strains in the ERM should subside once the dollar, which most analysts agree is undervalued, regains some of its strength against the D-Mark.

But ERM countries have

their fair share of economic difficulties. The communique issued by the monetary committee highlighted Spain's fiscal problems without giving financial markets any clear idea of exactly bow they would be resolved.

France, although experiencing a steady recovery and low because of its high unemployment rate of more than 12 per cent and a hudget deficit of 5.7 per cent of GDP.

of their currencies against any

let-out clauses in the Maas-

French government's decision FFr100hn (£12hn) of doubtful loans made by Credit Lyonnais may be understandable. But it does little for confidence. One immediate result of the

twin devaluation is likely to be the sinking of what slim hopes both Portugal and Spain entertained for joining Emu in 1997, the earliest possible date under the Maastricht treaty. Under the treaty, putative

Emu members must curb their annual budget deficits and stock of government debt to 3 per cent and 60 per cent of GDP respectively, or show credible, sustainable progress toward meeting these targets. They must also avoid devalu-

ing the bilateral central rates other member for two years. Even allowing for the many

rate stipulation looks like ruling out Spain for Emu in 1997. But Portuguese officials said yesterday that one of the Maastricht protocols might offer a reprieve because the ban only applied to a country which devalues "on its own initia-tive". In their view, the Lisbon government did not do this on Sunday.

However, all these arguments may he academic because the target of 1997 for Emu is looking increasingly remote. When EU finance ministers met in Brussels last month, the UK, Germany, Ireland and Luxembourg all spoke out against promoting the idea of an early move to a single currency, pointing out that the economic fundamen-

tals were not in place. Notwithstanding the optimis-tic sentiments of EU monetary officials yesterday, the weekJam 1989: Pesets waters ERM (with wide 8 per cent '> bends)

Oct 1990; Sterling enters ERM (with wide 6 per cent bands)

Apr 1982: Escudo enters ERM (with wide 8 per cent. bends)

Sec 1992: Lira and sterling

Nov 1992: Pesets and secudo devalued 6 per cent

Feb 1993: Irish pound

devalued 10 per cent May 1993: Peceta devalues

8 per cent, escudo 6.5 per cent Aug 1993: ERM fluctual bands widened to 15 per cen

Mar 1996: Peseta devalued

end's events have strengthened rather than weakened the case for caution and delay.

ERM parity grid

Silateral central rates and selling and buying rates from March 6 1995

		Sch 100=	LFr 100=	DKr 100=	FFr 100=	DM 100=	K2 1=	FI 100=	Esc 100=	Pts 100=
Austria	s		39.6809	214,174	243.586	816.927	19.6971	725,065	. 7.97000	9.60338
	C		34.1107	184,444	209,773	703,550	16.9529	524,417	6.86358	6.27508
Sch	8		29.3757	158.841	180.654	605.877	14.6062	637.740	5.91086	7.12200
Beighum-Lux.	S	340.420		627.680	714.030	2395.20	57.7445	2125.60	23.3645	28.1525
	C	293.163		540.723	614.977	2062.56	49.7289	1830.54	20.1214	24.2447
BFr/LFr	В	252,470		465.665	529.660	1776.20	42.8260	1578.45	17.3285	20.8795
Denmark	s	.62.9561	21.4747		132.066	442.968	10.6792	293.105	4.32100	5.20640
	C	54.2270	18,4938		113.732	381.443	9.19678	338.537	3.72119	4.48376
DKr ·	В	45:6910	15.9268		97.9430	. 328,461	7.92014	. 291.544	3.20460	3.88140
France	s	55.3545	18.8900	102,100		389,480	9.38950	345.650	3.79920	4.55780
	Ċ	47.6706	16.2608	87.9257		335,386	6.08631	297.661	3.27188	3.94237
FFr	C B	41.0533	14.0050	75.7200		288.810	6.96400	256,350	2.81770	3.39510
Germany	s	16.5050	5.63000	36,4450	34,6250		2.80000	(103.058)*·	1,13280	1,36500
		14.2136	4.84837	26.2162	29,8164		241105	88,7526	0.975581	1.17548
DM .	8	12.2410	4.17500	22,5750	25,6750	•	2.07600	(76.4329)°	. 0.840140	1.01230
treland	S	6.84544	2.33503	12.8261	14,3599	48.169G		42,7439	0.469841	0.566120
	č	5.89521	2.01090	10.8734	12,3666	43,4757		38.8105	0.404820	0.487537
Æ	B	5.07828	1.73176	9.36403	10.6500	35.7143		31.7007	0.348453	0.419858
Netherlands	s	18.5963	6.34340	34,3002	39.0091 .	(130.834r	\$.15450		1,27837	1.93793
1404-0414-144	č	18:0149	5.48286	29,5386	33,5953	112.8730	271862	٠	1.09920	1.32445
A .	ĕ	12.7918	4.70454	25,4385	28.9381	(97.0325)*	2.83952		0.948611	1-14060
Portugal	s	1691.80	577.090	3120.50	3549.00	11903.30	286,983	10584.0		139,920
· vinagui	č	1456.97	496.984	2687.31	3056.35	10250.50	247.145	9097.55		120,493
Esc	В	1254.70	428,000	2314.30	2632.10	8827,70	212.838	7834,70		103,770
Esc	_							. 1		103.776
Spain	8	1404.10	438,944	2589.80	2945.40	9878.50	238.175 .	8787.30	98.3670	
	C.	1209.10	472,461	2230.27	2536.54	8507.18	205,113	7550,30	62.9927	
Pts	В	1041.30	355,208	1920.70	2184.40	7326.00 .	178.641	6507.20	71.4690	

S = Exchange rate at which the central back of the country in the left hand column will sell the currency identified in the cow at the top of the table C a Bilateral cantral rate,

B = Exchange rate at which the central bank of the country in the left hand column will buy the currency identified is the row at the top of the table.

These buying and selling rates will not be operational, Reflecting a bilateral agreement between the German and Dutch monetary authorities, the following continue to apply: Netherlands (1000M: selling 115,2350, buying 110,1875); Germany (100FL: selling 90,7700, buying 68,76).

Notional central rates for the DRA, ITI, and GBP are respectively 292,857 DRA, 2106,15 ITI., and 0,786652 GBP to the ECU.

Source: Bank of England

FRANCE and SWEDEN - by David Buchan and Christopher Brown-Humes

Franc and krona come under fire

krona yesterday came under lt has for some time been tightfire after the weekend devaluations, falling to record lows and since last week it has let

"maidenly frights. Let us protect it."

to the D-Mark et its lowest, but
later rallied to SKr5.16, against
The sharp drop in prime
SKr5.06 at Friday's close. The against the D-Mark.

Attention focused particularly on the consequences for France, where currency worries pushed the Paris Bourse CAC 40 index briefly down to its lowest point since Decem-

The flight of money chiefly out of the dollar, but also the peseta and escudo, into the D-Mark, has increased strains on the link between the franc and the D-Mark, already put under tension by uncertainties ahead of the French presidential election.

"We are a little worried about the franc," Ms Esther Baroudy, senior economist with Credit Lyonnais, said yesterday, adding that "after breaching the FFr3.55 thresbold [against the D-Mark], the next level that may be tested is FFr3.60". However, in common with other economists who regard France's economic fundamentals as generally sound, Ms Baroudy did not see any danger of the franc hitting its FFr3.89 floor in widened ERM bands

In the face of the latest bout of pressure, the Bank of France has beld its money market tender rate steady at 5.00 per cent and its 5-10 day repurchase

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the rate for 24-hour call money float up from 5% per cent to 6 per cent. Meanwhile, the rate for three-month money has risen from 6.5 per cent to 7 per

cent over the last week. In general terms, the Bank of France has used the wider ERM margins since August 1993 to track the Bundesbank's interest rate policy, while letting the exchange rate act as a buffer for short-term strains. The French central hank claims that the franc's latest problems are primarily the result of the dollar's decline and of electoral uncertainties at home.

Over the weekend, Mr Micbel Sapin, the former finance minister who is a member of the central bank's monetary policy committee, warned presidential candidates not to let their campaign rbetoric rock the franc, in a newspaper article, he wrote. "The franc bas extremely solid founda-

rate at 6.40 per cent. However tions, but it is still prone to

minister Edouard Balladur's standing in the opinion polls. and the rise in support for his fellow Gaullist Mr Jacques Chirac, and for Mr Lionel Jospin. the Socialist candidate, has caused some unease in the markets. While Mr Balladur has stressed the need to control public deficits, Mr Chirac and Mr Jospin have made job creation their top priority, even at the risk of appearing to encourage a laxer fiscal policy. According to Mr Jean-Francois Mercier, an analyst with Salomon Bros, these three main candidates "seem to endorse economic and monetary union, but Mr Chirac and Mr Jospin appear less enthusiastic than Mr Balladur about an early

move to a single currency". in Stockholm, the parallel fall of the krona to a record low against the D-Mark forced no interest rates sharply, hitting government efforts to cut the deep budget deficit.

unrest pushed five-year band yields up 25 basis points. The stock market fell 2.2 per cent.

Many analysts believe the Riksbank, the central bank, will increase interest rates today to maintain its anti-inflationary credentials. Calls are increasing for the ruling Social Democrats to take tougher measures to cut Sweden's hudget deficit, run-

ning at 11.5 per cent of gross domestic product, to reduce

the country's exposure to volatility in financial markets.
"The pressure is huilding up for a further package of savings cuts," said Ms Annika Melander, a senior economist with Swedbank, Mr Carl Bildt, the leader of the opposition Moderate party and prime minister between 1991 and 1994. called for a further SKr20bn package of cutbacks to lift international confidence in the

country's efforts to stabilise its

■ GERMANY - By Andrew Fisher and Michael Lindemann

Fears for German growth

Anxieties about the impact of the higher D-Mark on German economic growth, exports and employment have been sharpened by the devaluation of the Spanish peseta and Portuguese escudo.

If tha D-Mark stays at its present level - having risen by 4 per cent since December on a trade-weighted basis - west German growth will barely rise above 2 per cent this year. Westdeutsche Landesbank said

yesterday. The consensus growth forecast has previously been about 3 per cent. Inflation, however, would ease to 2 per cent,

But the bank thought the D-Mark's strength might abate from now on, as this reflected political and economic weaknesses abroad and oot the strength of the German econ-

It said the current high level of the D-Mark, with the dollar falling below DM1.40 yesterday compared with DM1.45 on Friday, was "speculatively over-

Mr Theo Waigel, the German

finance minister, welcomed the devaluation of the peseta, saying the prompt decision was proof that the broader ERM bands within which the European currencies are allowed to fluctuate was working well. [The decision] ensured that the European Monetary Sys-tem will also work in future,"

Mr Waigel said. The fact that Spain had opted in favour of policies designed to improve exchange rate stability was also a step in the right direction, the German finance minister added. "It is decisive for the relationship between currencies within the European Union that they are linked to policies which are directed at economic conver-

Taking a pessimistic line, Dresdner Bank doubted whether the two devaluations would be enough to ease tensions in the ERM. It said the hastily decided budget measures in Spain were madequate to consolidate the country's

Dresdner said the latest developments in the ERM also

made the division among European currencies even clearer. The stable core of the ERM comprised a group of countries with a high level of economic and thus currency stability: these especially included Germany, the Netherlands and Austria.

France, Belgium and Ireland are also within this core, but further to the edge. Strong speculation against their currencles is possible, but central banks would do their utmost to keep them within the permitted fluctuation bands. The lira, sterling, the peseta and the escudo are outside this core, Dresdner said.
The bank added that further

devaluations or the departure of currencies from the ERM would occur if pressure from the foreign exchange markets continued

To this extent, the membership of the peseta and escudo in the exchange rate mechanism is almost insignificant. Some market sources thought the Bundesbank would be happy to see the peseta leave

Madrid puts on a brave face

VIEW FROM SPAIN AND PORTUGAL - by Tom Burns in Madrid and Peter Wise in Lisbon

The Spanish government yesterday put on a brave face over the peseta's devaluation. claiming that the Spanish currency could still be a member of a hard core of EU currencies. "Our [devaluation] decision does not substantially alter the possibility that Spain may be in a position to join European Monetary Union in 1997," Alfredo Pastor, secretary of state for the economy, said vesterday

The view from Madrid was that the decision was not justified by Spain's economic fundamentals. "We are facing a situation over which we have no real control because it has to do with the D-Mark's revaluation against the US dollar," Mr Government officials and economic ana-

lysts said the devaluation - the currency's fourth since 1992 - left the peseta significantly under-valued. Madrid requested an emergency meeting of the European monetary committee after the dollar's renewed fall on Friday

brought the D-Mark to new heights against the peseta. The move to lower the peseta's ERM "floor" against the D-Mark from Pta91.91 to Pta98.79 had the required effect yesterday in relieving pressure on the currency. However, if the devaluation had not taken place, the peseta would probably have had to leave the ERM, following the departure from the system of sterling and the lira in

The Madrid officials who attended the mooetary committee meeting on Sunday night are understood to have sought a devaluation of as much as 10 per cent. This was opposed by Portugal's represen-

tatives, who argued that such a large reforms needed by the Madrid govern-devaluation would unduly affect the ment. escudo. French representatives on the committee also opposed such a large drop on the grounds that it could threaten the

Although the peseta predictably weakened yesterday, falling at one stage to Pta91.40 against the D-Mark from Pta88.56 on Friday, the new fluctuation bands hring Spain valuable breathing space. Analysts believe that if the turbulence affecting the dollar dies down, the peseta should soon move back towards its new central parity in the ERM of Pta85.07 against the D-Mark - similar to its recent

trading range. According to 6 strict interpretation of the Maastricht treaty, Spain could not join Emu on January 1 1997, for the treaty lays down that EU members may join only if they maintain exchange rate stability for

two years before Emu takes place. Mr Pastor believes, however, that if Spain meets the other Emu economic performance criteria, and if the peseta suffers no further devaluations, this rule may be stretched to allow the peseta into a hard core of EU currencies on March 6 1997, two years after yesterday's meeting in Brus-

Such optimism might appear to contradict the statement issued at the end of the monetary committee's meeting, which included ostensibly tough comments on Spain's record as a member of the European Monetary System. Much of the marathon meeting was taken up by Spanish officials' efforts to tone down the wording on the monetary, fiscal and structural

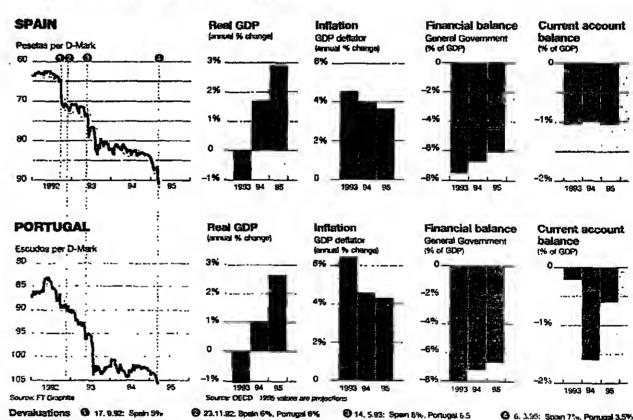
The statement said the Bank of Spain would undertake necessary measures to defend the currency, and that the Spanish government attaches "the utmost importance to the reduction of the budget deficit, and particularly, to staying within the ceilings established in the revised convergence programme".

It specified that the government would use any increased revenues to lower fur-ther the deficit and that it would take prompt action to correct spending overruns. It added that Madrid would give high priority to privatisation and it would evaluate labour market reforms adopted in 1994 to determine whether more were

If the language sounded like criticism of Spain's economic and monetary policies, there was nothing in the statement that Madrid government officials bad not previously pledged to carry out during last autumn's budget debates.

"Brussels is merely saying that the gov-eroment will do what it is already doing." said Mr Jose Juan Ruiz, chief economist of the Argentaria banking group. As early as last month the Economy Ministry, fearing a fiscal slippage, announced a package to trim government spending to forestall overshooting the budget deficit target. Yesterday Mr Pastor acknowledged that Spain's ability to meet this target was in question. "It is essential for us to be as close as possible to the convergence criteria. We realise we have a credibility prob-lem in the EU and that the onus is on us

The two economies in the firing-line



Lisbon follows with reluctance

The Portuguese proverb "only ill winds blow from Spain" could not have been far from the minds of nettled Lisbon efficials when they reluctantly decided that the escudo should accompany the peseta's

devaluation. Central bank officials played down their disenchantment by describing the realignment as merely a "technical adjustment". But being hastily forced into a decision to follow Spain's devaluation, even though the escudo was under no undue pressure, clearly rankled.

"The poor old Portuguese bave been canght in a snare created by the delin-quency of their neighbour," said a sealor European economist with a London-based "Their own economic virtuosity bas

been ignored by everybody. It's rongh, but that's Hie," he added Portugal's unwilling decision to devaloe was an acknowledgment that the escudo

and peseta are linked in the perception of international markets, despite differences in their economies.

Economists said a failure to accompany Spain's step could have threatened the credibility of Portugal's exchange rate policy and provoked speculation against the escudo. It was a hitter pill for Portugal after success in lowering annual inflation to 4 per cent in December, the lowest in 25 years

Portugal's central budget deficit dropped to 5.8 per cent of gross domestic product last year from 7.4 per cent in 1993, even those these figures are lower than those for the general government deficit (including municipal authorities) issued by the Organisation for Economic Co-operation and Development.

Official reserves are at a healthy level. covering more than eight months of imports, while political tensions are lower

Mr João Costa Pinto, deputy governor of the Bank of Portugal, said Portugal had decided to lower the escudo's parity to preserve long-term confidence in the CHITCHCY.

The escudo has remained within a sta-ble band of between Es101.5 and Es104.5 to the D-Mark since Angust 1993. It slipped to Es105.51 yesterday from Es103.94 on Friday.

Traders said the central bank made no significant currency intervention yester-day and money market intervention rates were left unchanged. Mr Costa Pinto said the central bank

sively concerned about a loss of competi-tiveness for its exports to Spain, Portu-gal's second most important client, which accounts for 18 per cent of total exports. Exports to Spain rose by 20 per last year.

despite appreciation of the escudo.

Bot Portugal clearly feared that any further devaluation of the peseta would give Spain an important edge in export markets and would also benefit Spain's would continue to preserve exchange rate tourism sector.

stability. "We don't want to jeopardise

economic recovery now that we are in a

position to take advantage of the favoura-

blc evolution of inflation," be s id. But one Lisbon economist said as now

expected the escodo to fall to between

Es105 and Es108 to the D-Mark. He said

this would damage expectations of a con-

"Portugal has lost an excellent opportu-

nity to oncouple the escudo from the

peseta." be said. "An appreciation of more than 6 per cent against the peseta over the past six months proves that the

escudo need not suffer as a result of

Spain's political and economic problems. But Portngal ia now showing that its

exchange rate policy is oot, in fact,

Portnguese officials were not exces-

Section of the second

stability but simply to follow Spain."

tinuing decline in inflation.

Dollar mugged – but nobody seems to care

in WHERE TO NOW - By Philip Gawith

The dollar has been mugged and nobody seems to care. That is in essence why the world's premier reserve currency has fallen to record lows against the D-Mark, yen and

Swiss franc. The initial mugging took place last December when the Mexican crisis broke. Investors left the office for Christmas with the dollar at DM1.58, up from a low of DM1.49 in early November. When they returned in January, it was at

Mexico hurt the dollar in various ways. Markets believe the US Treasury will have to pick up the tab for any assistance. A slowdown in Mexican growth will hurt US exports. Traders are also coocerned that peso weakness might inhibit US authorities from raising interest rates, while Mexico has contributed to a

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general flight to safety, which has benefited the D-Mark. Subsequent events have done little to alter the dollar's status as victim of events. The strength of the D-Mark is a function of political and economic developments in Europe. Taken together with the salutary spectacle of Mexico, events in Europe have served to bolster safety-first strategies. Most investors are content to minimise risk rather than maximise

This flight to safety hits the dollar twice. Not only does it suffer at the hands of the stronger D-Mark, hnt it hecomes the victim of its reserve currency status. Mr Richard Medley, chief executive of Kouri Capital in New York, notes: "Wheo you have a large scale liquidation of assets in the third world, a reserve currency is not a safe haven."



Not all of the dollar's problems start beyond its borders. Next to Mexico and Europe.

the other main bugbear for the dollar has been a change in interest rate expectations. Movements in short-term interest rates are often an been highly correlated, since the start of the year, with the fall in the interest rate differential between US and German short rates, from 200 to around

100 basis points. This shift in the outlook for interest rates is the result of changing views about the US

On the contrary, it gets sold as central banks in these countries try to defend their own currencies.

Unreliable guide to exchange and German economies. Federate moves. But the trend in the dollar/D-Mark rate has been highly correlated, since they believe the US economy is

The market has thus cut its expectations of how far US interest rates will rise. Many believe that the Fed may raise rates only once more in the current tightening phase. Simultaneously, many inves-

ond half of last year.

tors have brought forward mistaken weak dollar policy of their expectations of when Gerthis Administration's first two man rates will rise. Germany's economy was the fastest growing in Europe during the secyears in office. "People just can't forget that," he added.

The dollar is also not a key Behind the interest rate picfocus for the Fed. ture lurks a deeper concern As Ms Susan Phillips, a Fed about whether the US adminisgovernor, said over the weektration is concerned about the end: "Certainly the dollar is current level of the dollar. Mr something we look at, but bear Medley notes: "The dollar con-

M LATIN LESSONS - By Stephen Fidler

has a very large domestic economy and I think that domestic economic considerations in many ways are certainly pri-

Thanks to the weakness of the Mexican peso and the Canadian dollar, the US's largest trading partner, the Fed can also point to the fact that the trade-weighted dollar is not

weak on an historical basis. Others argue that it is in long-term decline, the result of perpetual current account deficits, probably exacerbated by a shift out of dollars as the

world's reserve currency. In the short term, however, the speed of the dollar's fall it has dropped by around 15 pfennigs over the past two months - makes it ripe for a short-term correction. Something more lasting is likely to require a shift in monetary policy, or interest rate percep-tions, in the US. Germany or

E DISMAY IN JAPAN - By William Dawkins

Rising yen nears the danger point

day nttered another chorus of dismay, as it always does when the yen touches a new high against the

Mr Shoichiro Toyoda, chairman of the Keidanren business federation, warned that the very survival of Japanese com-

Yet somehow, those same companies, especially Mr Toyoda's own Toyota car group, one of the most efficient in the world, have always found fresh cost cuts to compensate for the damage to their international price competitiveness inflicted

by previous yen rises. The latest jump in the Japanese currency, to a record Y92.7 to the dollar in Tokyo at one moment yesterday, brought it 7.7 per cent above its level at the turn of the year and a breathtaking 32 per cent above where it stood at the end

of at what point the yen's rise will start to force corporate Japan to cut costs more aggres-

against redundancies has so far permitted. Another debate is at what level the exchange rate will throttle Japan's

An instant poll of Tokyo economists suggests that the danger point is approaching,

hut is oot yet here. Economic growth will only suffer if the yen stays at its current height for between three and six months, to give time for export contracts fixed

at new higher exchange rates

to take effect. For now, the market is expecting gross domestic prodnct to rise by around 1 per cent in the current fiscal year to the end of March, and nearly to double in 1995-96. If the yen stays at the danger point until the autumn, economists will be

cutting those forecasts. But beyond that, most economists believe that the yen should, if the exchange rate were to reflect Japanese fundamentals rather than economic turmoils elsewhere, eventually

Japan's current account sur-

plus is declining and its interest rates are low enough, by comparisoo with US interest rates, to suggest that capital should eventually flow out of

The mechanism hy which Japan's high exchange rate affects its economy, mostly for ill but also for good, works in three ways:

 Exports: The latest yen rise in a consequence of the weakness of the dollar. So the main risk is that there will be a drag on exports to the US, representing a third of Japan's for-eign sales, which in total represent around 15 per cent of gross domestic product. Exports to Asian countries which link their currencies to the dollar would also he

This matters, because stronger than expected US demand for Japanese goods last year, plus a rise in private consumption - nearly 60 per cent of gross domestic product - were

the two main factors in the ecocomic recovery, points out Mr Richard Werner, chief economist at Jardine Fleming in

• Imports: A yeo-induced

surge in cheap imports began two years ago end was up an annualised 22 per cent in January. This is partly bad for the economy in that imports are a direct drag oo growth and erode Japanese companies' domestic market share. Foreign produced cars for example - albeit many of them made hy Japanese companies abroad -

took a record 6.6 per cent domestic market share in February, according to industry The rise in cheap imports is one factor in a decline in consumer prices, generally estimated at between 0.5 per cent and 1 per cent annually. Offi-cially, inflation is stagnant, at just under 1 per cent, but the government's figures exclude

• The industrial base: A sus-

growing retail sector.

discount stores, the fastest

tained rise in the yen is bound to hasten industrial hollowing out, the shift of production to cheaper foreign locations. At the latest count in 1993, nearly 16 per cent of Japanese manufacturing was overseas, according to the Bank of Japan; up from 14.3 per cent in 1992, but still small by comparison with

the US, which keeps 27 per cent of its production offshore. Many in the Japanese central bank see this exodus as healthy because it makes companies more efficient and productive, so long as they are not merely shifting surplus capacity abroad. Clearly, companies with for-

yen rises because it makes their reimported products cheaper than those of the domestic competition. However, the shift also constrains corporate investment in Japan, an engine of previous

eign factories win when the

With the yen at this level, Japanese groups will be even more tempted to put their new

Southern neighbours

seeking a new model They have often come to grief from their fondness for The dollar may look weak

from the Japanese or German vantage point, hot it seems a pillar of strength if you are sitting in Latin America. There the crisis provoked by Mexico's devalnatioo io December – which has trig-

gered outflows of capital from most Latin American financial markets - has prompted deep questioning about the use of an exchange rate anchor to bear down on inflation. "Once again in Latin America, fixed exchange rates have

misled investors and misled governments into thinking foreign capital would come in," said Mr Arturo Porzecanski of ING Securities in New York. "We have to demystify the exchange rate." The lessons that Latin American governments draw from the onslaughts against their cur-rencies will have a critical influence on their economic policy in years to come.

fixing their exchange rates to the mighty greenhack. The policy is popular since it often provides for a sharp fall in inflation and allows the middle classes to buy cheap imports and afford holidays in Miami. It usually comes unstuck as domestic inflation exceeds that in the US, prompting a real appreciation of the exchange rate not justified by underlying gains in

productivity. When it does unravel, as in Mexico, the shock to financial systems - and the impact oo the underlying economies -

can be devastating. Just such a financial crisis and deep recession in Chile in the early 1980s – which fol-lowed a period of fixing the currency - was followed by a switch to an exchange rate policy which aimed at maintaining competiveness. This

inflation hut, along with other policies which for example raised domestic savings, has allowed Chile to escape most effects of the current crisis. Some economists argue that a Chilean model will become the dominant currency regime in the region.

The Brazilian government hinted yesterday that it might have some kind of Chilean model in mind, by allowing its currency to devalue and there-after trade in a wide but predetermined band.

There is an alternative model which some are suggesting: a currency board. This where money can only be cre-ated if backed by foreign currency reserves - is a tougher regime than most Latin American governments have been willing to commit themselves to this century. Argentina has done just that, fixing its peso to the dollar by law.

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New star in Italian television industry

By Robert Graham in Rome

Mr Vittorio Cecci Gori, the italian film distributor and producer, has emerged as a world of Italian television ownership.

Over the weekend he concluded negotiations to buy Videomusic, a small specialised music channel, from the Lucca-based Marcucci family for some L60bn (£28m), plus a further L25hn to cover outstanding debt. This is seen as the first step towards producing a new national network atmed at a broad audience and offering a general programme

of films, sport and news. Videomusic was one of three small television groups that last December won a constitutional court case challenging the 1990 law awarding the to Mr Berlusconi's Fininvest three channels. The decision. to be implemented hy mid-1996, is likely to lead to the loss of at least one Fininvest channel and will help Video-

music cover the country. The weekend deal has also led to talk of Mr Cecci Gori being a potential purchaser of one of the three Fininvest channels - given the constitutional court ruling that forces divestiture and an impending referendum that could have the same effect. But Fininve denies any such plans, indicating it is working on the planned stock market flotation of its television interests.

The 49-year-old Mr Cecci Gori, owner of Fiorentina football club and a senator for the Popular party (PPI) formed from the former Christian Democrats, will have to clear the deal with the media watchdog commission. This may require delicate negotiations since the Videomusic licence was granted on the basis of running a specialist channel. However, the parchase would make little economic sense unless Mr Cecci Gori was able to use his buge and valuable archive of film rights, Italy's biggest. Since selling ont last year his minority stake in Telepiu, the cable TV channel, he has no direct out-

let for his films. Videomnsic, founded in 1984, has built up a solid audience among the young, reaching as many as 8m people. But the youth indience has pro-vided a weak advertising base and annual turnover has been about L25bn. Latterly Videomusic developed its own limited news programming. But it covers only 65 per cent of the country because of inadequate access to frequencies.

Treaty sends Turkey westwards

EU customs union may bring stability but risks boosting unrest, reports John Barham

between Turkey and the European Union is much more than a trade agreement. Turkish and EU negotiators hope it will not only stimulate commerce and investment but will reinforce Turkish stability by fostering economic reform and democ-

However, there are risks. The Islamic Refah party, which may gain additional support if painful economic restructuring leads to further unemployment, sees customs union as an attempt by Turkey's westernised elite to strengthen the increasingly insecure secularist state. Yesterday Mr Oguzhan Asiltūrk, Refah'a deputy chairman, said: "We will abol-ish the customs union agreement wheo we take power. The real reason [for customs union] is to stop the development of Islam in Turkey.

For most Turks, however, the union symbolises the west's acceptance of Turkey as a European nation. Yesterday's newspapers carried headlines such as "Our new life begins today".

Turkey regarded as bitter blows Europe's repeated delays in fulfilling earlier pledges for a customs union, as well as the rejection of Turkey's 1987 application for full EU membership. Agreement will help restore the fortunes of Prime Minister Tansu Ciller's weak

Tha customs union treaty and divided government. General elections are dne by November 1996, but Mrs Ciller'a government may not survive beyond this antumn. The Islamic Refah party is generally thought likely to win

any early election.

Mrs Ciller said yesterday the customs union was "one of the most important parts of my political mission". She said it represented one leg of a policy tripod, the other two being democratisation and economic reform, areas in which European negotiators are insisting

rs Ciller is in charge at a time of Turkey'a at a time of Turkey'a deepest economic crisis since the foundation of the republic in 1923. Inflation last year hit a record 150 per cant. Unemployment has increased by a third since last year, affecting over one in five workers. The economy is stagnating after shrinking by between 4 and 8 per cent last

to paying real interest rates of 30 per cent a year on its ahort-term domestic deht of more than \$12.5bn (£7.8bn). Mrs Ciller's reform policies may now gain a tailwind from the treaty's requirement that Turkey accept EU rules on state aid, competition and trade. By helping to revive business confidence, tha treaty

The government is reduced

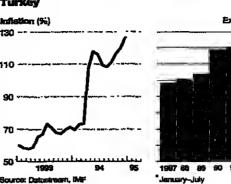
privatisation programme. Addi-tionally, the EU should release soft loans and grants that have hitherto been blocked by European exporters may ben-

efit more from customs union than their Turkish competitors, since Brussels long ago eliminated most trade barriers on Turkish goods. Turkey has maintained high tariffs and other levies, representing up to 85 per cent of the value of imports. Under the terms of the treaty tariffs are to be eliminated progressively by the end of this yes

inevitably, there will be winners and losers in industry. Mr Bülent Eczacibasi, vice-chair-man of the Eczacibasi pharmaceutical group and a prominent business leader, said: "A number of industries will get into difficulties. Competition will increase, that is the whole point. But on the whole it will be beneficial for industry." Sectors likely to suffer are those protected by high import barriers, which depend on gov-ernment subsidies, or those which operate in markets vul-

nerable to competition from larger and more sophisticated European companies. The car industry, protected by levies amounting to 40 per cent of the value of imports, is widely expected to be a signifi-

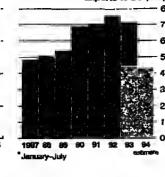
cant loser. Customs union should stimu-



late inward investment, reversing Turkey's low capital spend-ing rates. EU companies already provide about two-thirds of Turkey's foreign investment of \$1bn a year. As a consequence of the treaty, Brussels is demanding that Turkey enforce the numerous international human rights treaties it has signed but habitually ignores. Mrs Ciller bas promised to amend the 1982 constitution, written by the country's then military rulers, and modify its draconian security laws. Most EU countries also want Turkey to seek a political solution to end the

owever, Mrs Ciller, who last year ordered an escalation of the army's offensive against the Kurdistan Workers party (PKK), has warned that the fight against terrorism will take priority over political

11-year war against Kurdish



Another possible drawback will come if the government fails to win backing for its promise to support an EU plan to reunite Cyprus. Turkey invaded Cyprus in 1974 after a Greek-supported coup in the

It has agreed to put pressure on the Turkish Cypriots into accepting reunification with the Greek majority prior to entry into the EU. Greece agreed to lift its veto on customs union only when Brussels agreed a date for starting talks on EU membership for Cyprus.

If the customs union proceeds as the EU and the Turkish government hope. Europe will have made an important contribution to stability and growth in Turkey, reinforcing its vulnerable southern flank. If the gamble goes wrong, however, Europe may soon be dragged into Turkey's deepening economic and pobtical cri-

is mounting an all-out effort to

bring down inflation and stabi-

lise the economy this year, it

faces a powerful challenge

from the hardline lobby in the

In contrast to Security Coun-

cil's insistence that more

money and energy must be

devoted to the security forces

as they struggle against organ-ised crime, Mr Chernomyrdin

said last week the criminal-

isation of Russian society was

an unfortunate but inevitable side effect of the country's rad-

ical economic transition. "It is

EUROPEAN NEWS DIGEST

Bonn parties in funding talks

The three parties in Germany's coalition government will today meet to decide on budgetary measures to replace the Kohlepfennig, the DM7bn (£3bn) subsidy to the coal industry ruled illegal last year. The meeting is likely to be tense. The Free Democratic party, the junior partner in Chancellor Helmut Kohl's government, is using the issue to make a stand against coalition partners and has threatened to leave the coalition if the government decides on new taxes as a way of

raising the extra funds.

Meanwhile, the two sides in Germany's engineering dispute last night cootinued to search for a compromise which would stop the first industry strike since 1984 from escalating. They emerged from an afternoon session of talks - the first time in four weeks that they had met formally - refusing to say whether progress had been made.

Unless a solution can be found by tomorrow, the employers have said they may go ahead with lock-outs, stepping up pressure on IG Metall, the 3.1m strong engineering union, which would bave to pay their locked-out members strike mooey. Michael Lindemann, Bonn

Estonian ruling party defeated

Estonia's Coalition party emerged as the victor of weekend elections which brought humiliating defeat for the ruling Fatherland party which barely attracted the 5 per cent of votes needed to stay in parliament. Mr Tiit Vähi, the Coalition party leader, is expected to become prime minister after his party gained nearly 33 per ceot of the votes and 41 seats in the 101-member parliament. He promised that "right-wing [economic] policies" would continue under his leadership.

He is expected to try to form a new pro-market coalition government with the Reform party headed by Mr Siim Kallas, the central bank governor whose policies of linking the Estonian kroon to the D-Mark have underpinned the strong performance of the economy since Estonia left the Soviet Union in 1991. The Reform party won 19 seats with 16.3 per cent support. The Coalition party won by promising to ease the economic pain for Estonians left out of the revival. Polls showed wide support among elderly and rural voters who also favoured another potential coalition partner, the left-leaning Centre party which gained 14 seats. Among the seven parties in parliament will be the Russian-speaking "Our Home Is Estonia" party with seven seats. Matthew Kaminski, Tallinn

EU lines up Croatia deal

The European Unioo last night agreed a mandate to negotiate a new partnership and co-operatioo agreement with the former Yugoslav republic of Croatia, but stopped short of starting talks hecause of the Zagreb government's order to withdraw UN peacekeeping forces by the end of the month. Mr Douglas Hurd, UK foreign secretary, hinted, however, that there was room for a deal with President Franjo Tudiman of Croatia on dapting the "form", or role of the UN peacekeepers, though he refused to offer details. in January President Tudiman ordered the 12,000 UN peacekeeping force to begin withdrawal by the end of its mandate on March 31.

Separately, the EU cleared the way for talks on an associatioo accord with Slovenia after Italy lifted its veto. The pact had been beld up by a row over former Italian property in Istria, Lionel Barber, Brussels and Reuter

Steelmakers warned on aid

Europe's steelmakers will have to sort out their own problems next time they get into financial difficulties, warned Mr Karel Van Miert, European competition commissioner, in London yesterday. The partial failure last year of the European Commissioo's effort to restructure the industry meant an important opportunity had been missed, he told the FT World Steel Industry conference, organised in association with CRU Inter-national, the metals consultancy. "The current upturn in the market will not provide a long-term solution and leaving the restructuring process unfinished will almost certainly mean that we will be faced with the same problems of overcapacity again in a few years' time."

Last year, in response to the restructuring plan, steelmakers came op with planned cuts of only 16m tonnes in hot-rolled capacity, short of the minimum 19m needed to trigger assisdrawn in November. Andrew Baxter, London

Russian crime wave 'threatens state'

Yeltsin has called for the battle against it to be a priority. Chrystia Freeland reports

R ussia's Security Council, the secretive inner circle of the Russian ussia's Security Coongovernment, warned at an emergency meeting yesterday that organised crime in Russia was becoming so serious that it posed a threat to state secu-

Russia's President Boris Yeltsin instructed the Security Council to make the battle against organised crime the priority of the entire government, his spokesmen said. According to the president's press office, Mr Yelisin warned his power ministers that organised crime "discredits state authority and threatens state security in Russia. The situa-tion is particularly worrisome in Moscow."

The meeting of the Security Council, whose power was enhanced by the Chechen war, suggested the hardline faction within the Kremlin intends to week's inurder of a Russian television star to its

This tendency has provoked fears among Russian liberals that the gangland-style murder last week of Mr Vladislav Listyev, one of Russia's most

We could increase the security forces fivefold, yet this would be unlikely to change the situation'

liberal commentators, is, paradoxically, playing into the hands of hardline proponents of a more authoritarian

As a black banner headline Izvestia, Russia's most widely read daily, sensationally put it: "We Have Reason to State". Although that doomsday scenario did not emerge from yesterday's meeting, hardliners used the mass public outrage provoked by Mr Listyev's murder to settle scores with two rival political groups within the Russian state. The most significant blow

was dealt to the Moscow city government and its self-styled "premier", Mr Yuri Luzhkov, a man accustomed to acting with absolute authority within the boundaries of Russia's capital city. Federal authorities yesterday formally sacked the Moscow city prosecutor and the municipal chief of police, despite Mr Luzhkov's public fence of the two men over the weekend.

Sources at city hall said that Mr Luzhkov, wbo enjoys strong public support in Moscow, threatened to resign in protest, a move which would amount to an open declaration of war on the national government. Hardliners also mounted more dangerous, attack on the Ministry of Finance and the Central Bank, At the meeting of the Security Council, these two institutions, which have been leading the effort to impose fiscal and

Any country which has undergone a transition such as ours, has also had this wave of banditism'

monetary discipline on the Russian economy, were held responsible for the government's failure to subdue organised crime, because of their unwillingness to release money to the security forces from the treasury's depleted coffers. The criticism of the finance Fear the Emergence of a Police a more subtle, but possibly ministry and the central bank tion of the kind we are suggests that, when Premier

not just a questioo of the security forces." Mr Chernomyrdin said of the recent outburst of criminal activity in Russia. "We could increase their size fivefold and still, that would be unlikely to change the situa-

tion. This is not a phenomenon exclusive to Russia," he added. "Any country which has undergone an economic transiexperiencing has also had this Victor Chernomyrdin's cabinet sort of banditism.

NEWS: WORLD TRADE

Ministers hope to sign pact in April, says Hurd

Chechnya crisis delays EU-Russia trade pact

EU foreign ministers yesterday agreed to withhold trade preferences for Russia until there was evidence that Moscow was making progress in resolving the crisis in Chechnya.

in a delicate balancing act between EU member states nervous of alienating Russia and others frustrated at human rights abuses in Chechnya, the ministers delayed ratifying an interim trade pact which would have come into immediate effect.

But Mr Douglas Hurd, the UK foreign minister, stressed the decision was not a sanction. "It is simply a postponement," ha said, adding that ministers hoped to sign the pact at the next council meeting in April. Mr Alain Jappe, the French foreign minister. added: "We do not want to iso-The council meeting discus-

"Germany is fearful of doing anything that could drive Russia away. But others such as Denmark and the Netherlands want to hold up the trade pact to send a strong message to

by the "troika" of foreign ministers, representing the German, French and Spanish presidencies of the EU. The ministers, lead by Mr Juppé were due to sign the agreem this week with Mr Boris Yelt-sin, the Russian president. the EU is seeking progress in three areas: access for humanitarian aid to refugees from the war; continued co-operation with the Organisation for Security and Co-operation in Europe; and progress towards political dialogue with Che-

sion had been on a "knife-edge", an official said.

Agreement on the interim trade pact hinges partly on a visit to Moscow on Thursday Mr Yeltsin will be told that

The troika will report back to an informal meeting in Carcassone, southern France on March 18 when foreign ministers will be reviewing the broader strategic aspects of EU/Russia relations.

The interim accord is part of wider partnership and co-operating agreement still being negotiated between the EU and Russia. The trade preferences would bave given a muchneeded boost to Russian

exports to the EU. Mr Hurd, who met Mr Juppé before the council meeting, said Mr Victor Chernomyrdin, the Russian prime minister. had given assurances during his visit to London last week that Russia was committed to press freedom, market reforms and a firm election timetable. In a further step towards consolidating the EU's relations with Russia's neighbours, the council signed a partner ship and co-operation accord

Car parts groups argue their case

Europe's drive to narrow its widening trade deficit with Japan in car parts yesterday moved into higher gear with the start of a two-day Paris conference hringing together 11 car manufacturers from Japan and 80 component makers from Europe.

Mr Martin Bangemann, the European industry commissioner, stressed the mutual interest of both sides in the conference. European component makers wanted to supply more to Japanese manufacturers not only in Europe but worldwide, be said. The EU trade deficit in car parts was more than Ecu3bn (\$3.8bn) in 1993, with Japanese component makers selling seven times more to Europe than vice versa. Japanese manufacturers said the yen's appreciation had increased their incentive to buy more parts abroad.

Mr Bangemann complained that European parts makers had lost ground to US exports, but disclaimed any intention by Europe to "manage" its trade with Japan, as the US had sought to do.

"Europe prefers the co-opera tive approach to doing busi-ness with Japan rather than the US style, which aims at extracting discriminatory commitments from Japanese private companies to purchase minimum quantities of US-made auto parts," the commissioner said.

Mr Kazuo Majima, vice minister at the Ministry of International Trade and Industry, declared himself "very happy" with this European approach. But the two aides were clearly unable to agree on the proportion of local parts Japa-nese carmakers in Europe should use. Toyota and Nissan sald yesterday the cars they assembled in Europe bad around 80 per cent local content. This was disputed by CLEPA, the European car com-ponents trade association, but It refused to make public its own estimate.

Japan says the EU trade deficlt in car parts is rising, reflecting the rise in cars assembled in Europe.

Poor 'still face trade hurdles'

Guy de Jonquières.

Despite rapidly increasing inflows of private foreign capital into developing economies. trade remains poorer countries' most reliable source of external income, according to a report by the International Coalition for Development However, the coalition,

which groups third world lob-bying organisations from 10 countries, says efforts by developing countries to increase their exports still face many obstacles, which the Uruguay Round world trade deal has failed to remove. The report says developing countries received foreign

direct investment of \$51.5bn in 1992, more than double the annual average in the second half of the 1980s. However, the value of developing countries' exports was still 23 times greater in 1992 at \$1,167bn. Furthermore, developing

countries had to provide many incentives to attract foreign direct investment, such as spending on infrastructure and tax exemptions. These sharply reduced the value of their economic gains from capital inflows.

The report says developing countries' terms of trade, which have been negative since 1985, worsened in 1992-93, as the prices of many of their exports fell faster than those of imports.

Despite liberalisation agreed

in the Uruguay Round, tariffs on exports of interest to developing countries remained higher than the world average. An olternotive report on trade. International Coalition for Development Action, 115 Rue Stévin, 1040 Brussels, Tel:

WORLD TRADE NEWS DIGEST

Brussels launches environment plan

The European Commission plans to make the EU's tourism industry pay closer attention to the environment. Speaking at the international Tourism Fair (ITB) in Berlin, Mr Heinrich von Moltke, the Commission's general director for tourism, said tourist development should occur only if environmentally sustainable. The Commission will introduce environmental criteria for proposed boliday resorts, golf courses, yachting harbours and winter sports facilities. There are also plans for an emblem to be awarded to facilities judged not to be damaging the environment. When this will be introduced, however, is not yet clear. Frederick Studemonn, Berlin

German farm transport pledge

The German livestock industry will limit transport times for slaughter-bound animals to eight bours, the German Farmers' Federation (DBV) said yesterday . Germany is the first country to limit transport times since a row over shipments of live cattle sparked noisy demonstrations in Britain, Belgium and Holland, pitching angry animal rights protesters against police

German industry representatives told Mr Jochen Borchert, the agriculture minister, that they supported his proposal for limits and planned to start voluntary restraints by the end of this month. Reuter, Bonn

Samsung in white goods bid

Samsung, the South Korean manufacturing and trading group. is negotiating to huy Foron, the east German white goods company, from London-based East German Investment Trust. Formerly a state-owned company, Foron is noted for innovative product design, particularly a range of award-winning environmentally friendly refrigerators. Last year Foron had a turnover of DM143m (\$97.2m). Frederick Studemann, Berlin

Citic settles with creditor

China international Trust and Investment Corporation. China's higgest state-controlled conglomerate, yesterday settled its copper trading losses with Crédit Lyonnais Rouse, part of the French bank. CLR is believed to be Citic's biggest creditor with \$7m owed from Citic's total losses of \$40m from trading on the London Metal Exchange. Kenneth Gooding

Freland is inviting hids for the supply of a GSM mobile telephone system. a second mobile system to compete with the

telephone system, a second mobile system to compete with the state run Eircell service. Motorola in consortium with Sigma and Unisource has announced its intention to hid. AT&Ts Irish subsidiary Cellular Telephones is also expected to join the race. Total cost of the hid is expected to be around Issum (\$129m). John Murray Brown, Dublin

Hyundal Motors, South Korea's largest carmaker, will build

a \$30m car assembly plant in Pakistan in a joint venture with the Saigol group. John Burton, Seoul

JS fears Ruggiero may be 'protectionist'

The Clinton administration opposes the candidacy of Mr Renato Ruggiero, the European Union's choice to head the new World Trade Organisation, because he seemed "more protectionist than we

would like" when he came to Washing-ton seeking support last November, a senior US official said yesterday.

Mr W Bowman Cutter, deputy chief of the National Economic Council in the White House, said in a telephone inter-nior that the US had been a firm view that the US hed been a firm backer of Mr Carlos Salinas, the former Mexican president, until his withdrawal

The administration had been "essentially neutral" on Mr Ruggiero, a former Italian trade minister, and Mr Kim

Chul-su of South Korea. However, they became unenthusiastic about Mr Ruggiero's candidacy after they had met him.
"My strong personal predilection is for someone from the emerging markets," Mr Cutter said. "I think it would be good for the country to have a Latin American or an Asian."

Mr Cutter said the system of advanc-ing liberalised trade through negotiating "runnds" was now "probably played out." The new WTO head would regional trade agreements and regula-tory regimes. "There is a task of institu-tional development" he said. The US had been determined to sup-

port Mr Salinas until he withdrew because "it would have been because because "it would have been until have been until be withdrew because "it would have be with the withdrew be with the withdrew because "it would have be with the withdrew be with th because "it would have been ungraceful of us to pull out". He was hoping Mr Peter Sotherland, the WTO's acting head, could be convinced to stay on past March 15 until a new candidate

Mr Greg Mastel of the Economic Strategy Institute said he had beard a number of administration officials raising concerns about Mr Ruggiero's views

"The WTO can't have a glorified bureaucrat," Mr Mastel said. "We want the WTO to be a strong organisation. We want a strong, effective leader, who gets his phone calls returned." Mr Harry Freeman, a Washington lob-byist and one of the earliest backers of Mr Salinas, said the new WTO chief

should have support in Congress. "If the EU tries to cram someone down our throats, it will be the best way to lobby for the Dole bill." Mr Robert Dole, the Senate majority leader, has introduced legislation to establish a panel of judges to review the

DIY banking thrives in chaotic Zaire

Anyone who wants to stay in business has to wheel and deal, writes Michela Wrong

t the end of a hard day, the head of a <u>Kinshasa</u> business, has made a pile of zaires. Knowing that the Zairean currency risks depreciating with every passing bour, he is anxious to swap them for

The last place he turns is the bank. Starved of liquidity since the progressive worsening of Zaire's economic crisis, commercial banks have trouble stumping up the most paltry sums of cash.

So he rings a diamond dealer, who agrees to sell him dollars earned trading gems in Antwerp. The zaires will be flown to the Kasai region in the east of the country where the diamond dealer will use them to buy new stock. No papers are signed, bales of notes will change hands on the basis of a verbal agreement alone. And although taking place in a country which has become a byword for corrup-tion and dishonesty, the deal will hold.

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In the Alice-in-Wonderland financial world that is Zaire, such transactions have become the norm. The collapse of the formal banking sector three years ago has forced multinational manufacturers, exporters, farmers and even aid organisations and religious missions to turn to foreign exchange wheeling and dealing to lay their hands on the cash



needed to stay in husiness. "Companies have become their own banks. Everyone has become a bank for someone else - it's a mutual aid situation, the only way to survive," says a western businessman. Bewildered by the lack of set rules when he first came to work in Zaire, he now revels in the freedom. Complicated transfers that could take weeks in Europe happen in seconds. There are no annoying hank charges to be paid and since both parties benefit from the deal, commissions are kept to a minimum. The only quibbling

other shady enterprises might raise a lew eyehrows. This is especially so, diplomats say, since an increasingly large pro-portion of the dollars changing hands is drugs money sent to Zaire for laundering. The marginalisation of the commercial banks started in

agreements with diamond

smugglers, arms traders and

the early 1990s, when President Mobutu Sese Seko announced the end of multi-party rule and Zaire entered a "transition period" of what turned out to be chronic economic, social and political instability. As the state copper mining company Gecamines teetered on the verge of hankruptcy, the short-lived governments that followed spent, economists estimate, four times their shrinking revenues.

To cover the gap, the Bank of Zaire printing presses went into overdrive. When that was not enough, government offi-cials would dump notes on the hlack market, buy dollars and use them to order print runs abroad. With each dumping, the value of the zaire plum meted, making ever higher denominations necessary.

Inflation, running at between 50 and 100 per cent a year before the "transition period". soared to 3,000 per cent in 1992. 8,300 per cent in 1993 and 6,000 per cent in 1994. With the zaire now worth 1/22hn of its 1975

value, the population took ref- functions the banks fulfil is to uge in hard currency - about act as import-export intermediactions are done in dollars - or resorted to barter.

The total money supply in local currency is now worth about \$100m, nearly a quarter of the level four years ago, a tiny sum for a country with a population of 42m.

When new notes were issued, few were funnelled in the direction of the 13 commercial banks, going instead to politi-cians and generals. The banks were left with stocks of increasingly worthless zaires. Given that the highest denomination available is worth just 13 US cents, there are, in any case, physical limits on how much local currency an institution is able to store.

Although the government of Mr Kengo Wa Dondo, the prime minister, claims it is determined to bring the banks back into operation, they are still desperately short of cash. Last year the banks received two small deliveries from the central bank, which went to pay staff wages. There have been no deliveries this year.

"We don't make loans because there's no money to lend. We have 20 per cent of the accounts we had before the transition and as each month goes by we close more down," says an official at one bank.

back agreement under which it will have the right to buy oil

from the fields for a prescribed

period, though the US com-

80 per cent of significant trans- aries. "When our foreign partners come to visit they can't believe we survive off the tiny amount of business we do. We're just ticking over, trying to survive until the economy recovers."

A side effect of the liquidity crisis has been the hirth of a lucrative and speculative market in cheques. Businesses need cheques to pay their taxes or duty on imports. But because none of the commer cial banks can cash those cheques, they trade at a discount A company owing the tax

authorities 1m zaires will buy a cheque, often issued by highly placed individuals at the Bank of Zaire, for, say, a tenth of its nominal value. Then he pays the tax inspec-tors for a fraction of the actual cost, persuading them to accept the dubious credit by offering a sweetener they will use to pay their own wages and running costs. After changing hands eight or nine times, the largely fictional credit ends up at the Bank of Zaire, swelling largely fictional

While husinessmen may revel in the opportunities offered by this surreal state of affairs, bankers point out that long-term investment and One of the few remaining growth are impossible.

INTERNATIONAL NEWS DIGEST

UN conference told to be patient



which the United Nations has to deal with were being waged within nations and most had "obvious economic and social causes," Mr Boutros Boutros Ghali, UN Secretary general (pictured left). said yesterday. Opening the UN's World Summit for Social Development in Copenhagen, he said: "We are trying to mobilise international public opinion on the social develop-ment issues." But he played down prospect of any rapid progress in achieving the three main objectives of the

summit - the abolition of absolute poverty, the creation of full productive employment and the end of social exclusion. "It will take many decades of hard work," said the secretary general. "This conference must be seen as part of a process We need to be patient." Robert Taylor, Employment Editor,

Israel to press Syria for peace

Israel put Syria on notice yesterday it regards this coming summer as a deadline for achieving peace as the Israeli and US administrations head into an election year in 1996. Mr Yossi Beilin, Israel's deputy foreign minister, called in US media correspondents to spell out a now-or-never warning ahead of a Middle East peace mission this week by Mr Warren Christopher, US secretary of state.

"This is supposed to be a different visit. As Yossi Beilin has just mentioned behind closed doors, the summer of '95 is something of a deadline in the negotiations with Syria," an Israeli official told other foreign reporters. "So if nothing is achieved by then, probably nothing will be achieved in the next few years. It is a very important visit simply because there is no more time." Reuter, Jerusalem

Peres to discuss repatriations

Mr Shimon Peres, the Israeli foreign minister, is going to Amman today for long-delayed talks with his Jordanian, Egyptian and Palestinian opposite numbers on the possible repatri-ation of bundreds of thousands of Palestinians who fled the West Bank and Gaza Strip during the 1967 Six-Day War. Israel committed itself to explore this question as long ago as the 1978 Camp David agreement with Egypt and reaffirmed its willingness to do so in the 1993 Oslo accord with the Palestinians. A senior Jordanian official said the Arab side saw the talks as "a serious test of Israeli intentions." For the Palestinians, it would establish a precedent for at least a limited "right of return", though even left-wing Israelis are opposed to open

ing the border to the much larger number who fled in 1948. An Israeli Foreign Ministry spokesman suggested that the ministers' first task would be to hammer out definitions of who is a refugee and to estimate numbers. The Israelis out the total of 1967 refugees at 200,000 to 400,000, but the Palestinians claim 800,000 are involved. They include civilians who ran away on their own initiative, some who were ferried out by Israel after the ceasefire, and others who happened to be abroad at the beginning of hostilities, as well as their off-spring. No one knows how many of these refugees would want to come back. Eric Silver, Jerusalem

US oil group to develop Iranian offshore field

By Richard Waters in New York and Robert Corzine in London

Concoco, the oil and gas subsidiary of Du Pont, is to develop two offshore Iranian oil fields, marking what is thought to be the first US

investment in the country's

energy sector since the Iranian revolution of 1979. The deal looks certain to spark political opposition in both countries, which have had no formal diplomatic rela-tions since the hostage crisis which followed the revolution. However, the US has no trade embargo with Iran, and US oil

gest purchasers of Iranian

Conoco, which signed an agreement for the development with the National Iranian Oil Company (INOC) at the weekend, said it could see no reason why the deal should draw flak in the US.

"We have the greatest confidence that everything we are doing is appropriate and ethical," the company said. "Everything we have done is within applicable US laws and trade regulations."

Congressional attitudes toward fran appear to be hardening, however. In January Senator Alfonse D'Amato, a New York Republican, tabled a have estimated the cost of

bill which would har trade with Iran.

EDBER BEALE

is over the day's exchange rate.

system is far more of an oppor-tunity than a hindrance," says

the businessman. "You set up your own network and make

your own rules. No one's ever

welshed on a deal, because if

they did the whole system

would collapse and everyone

would lose out. I find it quite

However exciting, the reality

of operating in Zaire must often be glossed over in reports

sent back to western headquar-

ters where the discovery that

their companies are striking

The absence of the banking

The Clinton administration has recently opposed the planned sale of a Russian nuclear reactor to Iran. It is also against the participation of Iran's national oil company in a mainly western consor-tium formed to develop three giant offsbore fields in the Azerbaijan sector of the Caspian Sea.

Conoco said it would develop the Serri A and E oil and gas fields, which are located some 80 miles from the Iranian shore in the sonthern Gulf. They were discovered in 1972 and 1976, and industry observers

development at about \$500m (£308m).

A number of western companies are keen to participate in Iran's oil sector. Most proposals focus on offshore areas. which are thought to be more politically acceptable than onshore projects. Iran is in the middle of a

large-scale expansion of its oil capacity, but there have been persistent reports of technical problems at many of the Under the deal, which has been signed with a non-US sub-

Serri fields will be operated by

the Iranians. Conoco is expec-

facility it plans to build in Dubai in the United Arab Emirates, The Serri A and E fields combined are expected to produce 120,000 barrels of oil a day. Serri E has reserves estimated at about 435m barrels.

while Serri A has about 50m sidiary of Conoco, the two barrels. Conoco has been in negotiations with the Iranians for two ted to be repaid through a buyyears. Total, the French oil company, was also competiting for the offshore development

An Iranian statement issued pany refused to confirm details yesterday said the Tehran govof the contract. Conoco will also build a pipeernment expects the project to generate some \$12.5bn in oil line to carry natural gas from revenues and about \$750m in two other Serri fields to a new pas sales over the agreement's lifetime. It added that at least 30 per cent of the work will be sub-contracted to Iranian companies, and that Iran would benefit from technology trans-

> The US government, however, has made it clear that it does not want to see Iran given access to advanced oil production technology.



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Brazil allows Real to fall

Brazil's currency fell more than 2 per cent against the dollar yesterday after the central bank announced a new exchange rate policy and a two-step devaluation. Although the announcement was wel-comed by exporters, it raised fears that imported inflation could add to mounting cost pressures and undermine the Real.

government also announced a package of other measures, including a study on the possible privatisation of Companhia Vale do Rio Doce (CVRD), the world's largest iron ore exporter. The proposals were designed to reassure investors that Brazil's current account deficit will not be allowed to reach Mexican pro-

The bank said it is introdu-

bands" against the US dollar which will be defended by intervention. From yesterday until May 1, the Real will fluctuate between 86 and 90 centa-vos to the dollar. On May 2, the band will be widened to between 86 and 98 centavos, implying a maximum possible devaluation of more than 15

The Real has appreciated about that much in nominal terms against the dollar since its launch last July. The bank has operated an unofficial band between 83 and 86 centavos and the Real was trading last week at 84 centavos to the dollar. By yesterday hunchtime it had fallen on the parallel market to 86 centavos.

The government's decision to let the currency fall followed mounting criticism from exporters and worries about the current account deficit.

in deficit since November, the first monthly deficits in nearly eight years, mainly because moves to open the economy led to a sharp rise in imports.

Although the government

was expected to relax the exchange rate policy, yester-day's effective devaluation came earlier than predicted. Many analysts thought Brazil would wait until after Argentina's elections in May to avoid adding to President Carlos Menem's economic problems. Argentina's exports to Brazil, which have grown rapidly in the last year, are likely to be affected by the devaluation.

The new government of president Fernando Henrique Cardoso has also not yet approved fiscal and other reforms which most analysts say are needed to underpin the Real by preventing mounting government budget deficits. Son me of these

Congress in coming weeks, but approving them will take

Without these reforms in place, and with growing signs of overheating in some sectors of the economy, some economists said inflation could accelerate quickly from its February level of 0.99 per cent. Mr Pedro Malan, finance minister, said the change in

the exchange rate policy was "not a devaluation in the con-ventional sense of the word". The Real's earlier appreciation against the dollar was unplan-ned and was mainly due to Brazil's high real interest rates. Mr Malan was speaking at a joint press conference with Mr José Serra, the planning minister, perhaps to stress government unity on the changes. Mr Serra has been pushing for a devaluation. CVRD sale study. Interna-



Mexican peso tumbles on policy delay

By Leslie Crawford in Mexico City

The Mexican peso slumped to a record low egainst the dollar yesterday as financial markets reacted nervously to the government's delay in announcing new policies to deal with the rapid deterioration of the econ-

The peso plunged to 6.875 morning trading, against 6.325 at Friday's close, bringing the depreciation of the Mexican currency since its flotation in December close to 50 per cent. The continued slide raised

questions about whether further finance would be made available to Mexico from the International Monetary Fund and the US government.

Traders said the peso was being punished for the government's perceived lack of direction in economic policy. They believe President Ernesto Zedillo has not unveiled a new economic programme because he has so far been unable to obtain the consent of labour unions and business leaders for additional unpopular measures required to contain inflation and stabilise the currency. These measures are thought

to include tax increases and higher public tariffs for petrol and electricity, as well as further cuts in government spending and more pressure on real wages. For the past seven years, Mexican governments have designed economic policy in consultation with labour

as the Pacto. But the current economic crisis, and Mexico's commitments to the IMF places restraints on Mr Zedillo's ability to accommodate the demands of labour and busi-Mr Zedillo said at the week-

end that a new economic programme would only be announced when parliament had approved loan agreements signed with the IMF and US government to allow Mexico to meet its short-term foreign debt obligations. The announcement was widely interpreted as a delaying tactic and added to yesterday's heavy demand for dollars.

Business leaders are urging the government to set realistic targets for inflation and economic growth this year, and to define a new exchange rate policy to stabilise the peso. They also want the central bank to ease monetary policy, as the trebling of interest rates since December is accelerating the risk of bankruptcles.

Unions are demanding a fur wage to take into account a higher-than-forecast inflation for 1995. The government and unions agreed to a 7 per cent increase in wages in January based on an inflation estimate of 19 per cent, now regarded as

The collapse of Banpais Mexico's eighth-largest bank, has renewed concern for the health of the country's banking system, widely seen as the weakest link in the economy.

Argentina aims to cut risk of company defaults

By David Pilling in Buenos Aires

Argentina plane to use \$500m (£314.4m) of World Bank cash to sen the risk of further defaults by private companies, after last week'a announcement by pulp mill Alto Par-ana that it could not meet payments on \$60m worth of maturing loans. The move, part of a package intended to inject confidence into the financial system announced on Sunday night, aims to relieve some inves-

tors' fears that Argentina's credit

crunch could force further companies

Other measures include an insurance scheme for bank deposits to

lessen the likelihood of a run on the banks, and use of up to \$1.9bm in multilateral agency funds to buy up non-performing portfolios of state-owned provincial banks. These would

then be privatised. Argentina is believed to have asked several international banks for bridging loans against part of this \$1.9bn due later this year from the World Bank, the Inter-American Development Bank and Japan's Eximbank. Mr Roque Fernandez, the central bank president currently on a tour of US and European banks, may also be seeking bridging loans against expec-ted cash receipts from privatisations.

The credit crunch, which saw interbank interest rates rise to 90 per cent at one point last week, has forced Argentina to ahandon its planned \$25n worth of Treasury bill auctions. Cash to help pay \$5.2bn worth of maturing debt in 1995 will instead come from privatisations, according to Mr Domingo Cavallo, economy

Most sell-offs, including those of hydroelectric and nuclear plants, were originally to have been conducted largely through debt-for-equity

swaps,
The new measures, which follow last week's amouncement of a \$1.3bm austerity package, came as Brazil

announced it would begin the steady devaluation of its currency. This has raised fears that Argentina, which must this year begin to close its trade deficit as external financing dries up, could lose an important competitive advantage in one of its most crucial

However, the modest and gradual nature of the devaluation, coupled with expectations of erosion through rising Brazilian prices, may mitigate the negative impact.

Mr Cavallo told financial daily El Cronista at the weekend: "A devaluation in Brazil is logical . . . I recognise that, at some point, they will have to devalue to reach

Argentina to pay its debte, he

parity with the dollar "

vate sector debts, be said.

On private companies' liquidity

problems, Mr Cavallo said the World

Bank had already granted \$500m in "back-stop facilities" for the extension

of maturities on new debt placements.

Argentina would seek World Bank

permission to use these funds to

lengthen maturities on existing pri-

"It is interesting that international

traders no longer fear a devalua-

tion . . . But what has been rea-

wokeo is the fear of default by the

public or private sector." There must

be no donbts about the ability of

Critics of Mexico bail-out complain of 'lack of candour'

Summers in firing line over rescue

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS Trade figures are given in billions of European currency limits (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985-100.

By George Graham in Washington

US congressional critics of Washington's plan to rescue Mexico from its financial crisis, eager for someone to blame for the débacle, appear to be zeroing in on Mr Lawrence Summers, Treasury under-secretary for international affairs.

Senator Alfonse D'Amato, chairman of the Senate banking committee, plans to hold hearings on the Mexican bailont this month, and has already begun to complain about the "lack of candour" from the administration over

"I know darn well that the administration received information that should have alerted any prudent person that there were problems with the Mexican economy and then ignored it and withheld it from

1st qtr. 1994 2nd qtr. 1994 3rd qtr. 1994 4th qtr. 1994

1st qtr.1994 2nd qtr.1994 3rd qtr.1994 4th qtr.1994

UNITED STATES

-174.2 -140.6 -131.8 -100.2 -99.3 -79.3 -53.5 -65.2 -88.7 -127.1

-28.9 -32.7 -33.5 -31.6

-10.8 -8.4 -10.6 -11.1 -11.0 -12.2 -10.5 -10.9 -11.0 -11.4 -9.4

106.9 107.7 106.7 111.5

FRANCE

15.2 16.0 15.8 16.6 16.3 16.0 17.1 16.7 17.3 17.4 18.2

0.74 1.35 1.19 1.16 0.88 0.68 1.11 1.37 1.67 1.05

the Congress," Mr D'Amato said last week.

Other congressional aides, however, said the inquiries appeared aimed at satisfying a political need to show someone's head had rolled as a con-sequence of the Mexican crisis, which has forced the US to put up \$20bn (£12.5bn) from its **Exchange Stabilisation Fund to** help avert the threat of a

Mr Robert Rubin only took over as Treasury secretary in January, after last December's disastrous devaluation of the peso, and his predecessor, Mr Lloyd Bentsen, has left for deputy secratary and acting head of the department at the time, is focused on domestic rather than international issues. That leaves Mr Summers holding the bag as Con-

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blood," said one congressional staffer, adding that the Mexican crisis had damaged Mr Summers's chances of succeeding Mr Lewis Preston as president of the World Bank.

Other leading candidates for

that post include Mr James Wolfensohn, a New York investment banker, Mr Gerald Corrigan, former head of the New York Federal Reserve. and Mr Bowman Cutter, a top White House economic adviser. Some members of Congress have targeted Mr Rubin over the Mexican ball-out. Mr Rubin used to run Goldman Sachs, a Wall Street investment bank which could be argued to have benefited from the Mexican rescue. But congressional aides said this line of attack appeared weak.

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242.7 248.5 254.9 272.8 310.2 324.4 327.4 330.6 322.9

"There is no question defended the administration, D'Amato wants Summers's and by implication himself, and by implication himself, against the charge of being asleep while Mexico's economic difficulties piled up last year, attributing the crisis to Mexico's own "critical errors in macroeconomic policy". "Despite expressions of con-

cern by American officials and others that Mexican policy was unsustainable, the Mexicans held to the view that the country's loss of reserves did not call for policy adjustments," Mr Summers said in a discussion of the US rescue plan at the Brookings Institution, a Washington think tank.

While Mr Summers and the US Treasury have refused to reveal their advice to the Mexican government, international financial officials say it is unfair to hlame the US for Mexico's failure to heed the

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Clinton to oppose tort law change

By Jurek Martin in Washington

The Clinton administration has decided to back opposition to Republican proposals to reform the country's civil law system which will be debated in the House of Representatives this

Ms Janet Reno, the attorney general, and Mr Abner Mikva, White House legal counsel, yesterday wrote to Mr Newt Gingrich, Speaker of the House, charging that the draft legislation would "tilt the legal playing field dramatically to the disadvantage of consumers and middle-class citizens" In an interview with the New

York Times, Mr Mikva, a former congressman and that Speaker Gingrich means what be says when he describes himself as a

revolutionary. The proposals would impose strict limits on the punitive damages in legal cases involving product liability. medical malpractice and personal injury; would require the "loser" in such suits to pay the legal costs of the winner, and would establish federal standards in product liability cases determined by state

In all areas of the law, the proposals would limit the award of punitive damages to \$250,000 (£154,000) or three times the compensatory damages, whichever is greater. Multi-million dollar damage federal appeals court judge, claims are now routinely commented: "When I look at sought in lawsuits, though by bills like these I can believe no means always granted in

The purpose of these reforms to the tort laws, according to the Speaker's Contract with America reform programme, is to discourage frivolous suits that block the courts, and to relieve the potential burden on companies and professionals such as doctors, who are now

malpractice insurance.
Threatening a presidential veto, Mr Mikva said the Republicans were turning their standard anti-government arguments on their head by seeking to impose federal damages standards on the states. The letter to Mr Gingrich describes this as "a disturbing and unprecedented federal encroachment on 200 years of well established state authority and responsibility".

He also objected to the "loser

provision which is

obliged to have expensive

standard practice in Britain. This, he argued, "frankly is a total deterrent to small people hringing lawsuits". Already a national broadcasting campaign against the Republican proposals has

been launched. One recently released radio commercial claims that individual rights under the law. are at risk

Currently, the Republican reforms are scattered through three bills, but this week's plan is for them to be consolidated into one, with a vote scheduled by the end of the week.

Mr Gingrich's success to date in getting items in the Contract passed by the House would suggest another victory ahead, but he has predicted it will not be easy and the outcome in the Senate is far

Marines try a little tenderness

Bernard Gray on a new wave of non-lethal weapons the Pentagon hopes will make peacekeeping less deadly

he hard men of the US marine corps stormed up the beaches of Somalie last week carrying an array of deadly looking weapons. In fact, they were not deadly at all, which is precisely the point of them.

The foam guns, sticky immowood-chip shotguns are part of a programme to produce con-lethal weapons that can break np opposition to US forces

without unnecessary loss of

Plans for such weapons got short shrift at first from the Pentagon. But defence scientists who are no longer needed to design equipment ranging from nuclear weapons to phosphorus grenades have worked hard to sell the idea.

Some from the country's most prestigious laboratories. such as the Los Alamos nuclear weapon design centre, have for several years been working on a bizarre range of ways to frustrate opposition to US forces. The marines who went to help in the UN with-drawal from Somalia were carrying the first fruits of thet effort, most of which is aimed at crowd control.

The shoulder-mounted foam gun - connected to a 275 gallon water tank on wheels - fires a wadge of foam 200 feet long and 20 feet wide to act as a barrier in a riot. The foam is thicker than the suds which float on washing up, but not much. Its effectiveness derives from the tear gas laced through it. The irritation the foam causes to eyes and skin will tend to break up a crowd. and is a more discriminating way to target groups than the old method using tear gas car-

For the more violent proester, the marines also carry s sticky foam "toffee" gun. This



Sticky immobilising in practice: US troops get down to some non-lethal weapons training

uses a high pressure hose to coat an enemy in a goo which makes it hard to move. The marines call it a "hi-tech lasso" and scraping it off is a very lengthy process", according to a senior Pentagon official. There are more immediately

painful incentives to do wha the nice officer tells you. Rubber grenades - called "stingers" - explode like the real thing, but the shrapnel they produce is small pieces of rubber, causing about as much pain as a heavy bee sting.

Given that a protester is likely
to be hit by a dozen or more
fragments, there is enough
pain to deter all but the most determined from rioting.

And to hreak up that really determined crowd, the marines have a range of wooden, rub-ber and foam pellets which can be fired from 12-bore shotguns and grenade launchers. The idea is to ricochet the pellets off the ground and hit the crowd in the legs, causing bruising and giving plenty of

reason to move elsewhere. Most of these weapons are for use in peacekeeping

operations. There are, however, proposais to use some non-lethal technologies in all-out warfare. A super-slippery slime is being developed to spray on to roads, making them like ice-

rinks and completely impassable to cars. An early version was first tried out in the Vietnam war 20 years ago where it was not very effective, but the technology has been refined since then. The slime is intended to make roads unusahle and pen an enemy up as an alternative to the strafing which made the Basra road evacuation a bloodbath during

the Gulf war. Another line of attack is electronic warfare, which interferes with communications and other electrical equipment.
Some systems are being tested
which would interfere with cars' ignition systems and make them impossible to start.

Whether such systems will catch on in other countries is unclear. With US public opinion highly sensitive to the number of casualties caused in a conflict, the Pentagon has a special incentive to try. The increase in the number of peacekeeping missions also calls for action short of all-out attack.

Yet other countries are less bothered and still believe strongly in the deterrent power

of a fully loaded rifle.

Indeed, the real application of these ideas may not be on the battlefield. The suggestion to use these weapons in Somalia came from marine reserves whose full time interest. whose full time jobs are as members of the Los Angeles

Police Department.
The LAPD-marines had previously trained with some of the equipment, which they showed to the regular marine corps officers. The main use of such exotic new wsapons could, in fact, turn out to be

By Tony Walker in Beijing

China has pledged further curbs on wasteful spending in an effort to ease inflationary pressures and restrain its budget deficit, expected to reach Yn66.6bn (£4.86bn) this year.

Speaking oo the second day of China's annual parliamentary session, Mr Liu Zhongii, finance minister, urged the implementation of "fairly stringent" fiscal policies. He blamed excessive capital spending for a "growing deficit" and an

accumulation of "huge debts" in the state sector. Losses and waste in the use of funds had been heavy, he said.

Continued austerity was consistent with the need to restrain price increases. "This is a major issue that has a bearing oo the vital interests of the people and is indispensabla for maintaining a favourable environment for deepening reform," Mr Liu said.

China's projected deficit for 1995 is marginally less than the budgeted figure for last year of enterprises were deeply in debt

Yn66.9bn. The actual deficit in to each other and to banks. Yn63.09bn. Budgeted military 1994 was Yn63bn, according to preliminary figures.

A western economist in Beijing said Mr Liu had "obviously set out to bring down an austere budget". The projected deficit for this year represented a decline in real terms and relative to the size of the economy. But the economist also said China's financial situation was complicated by the size of off-budget items such as contingent liabilities. State-owned

in 1995, China expects revenues of Yn569.2bn, an increase actual spending.

• Investment in agriculture of 9.9 per cent over 1994. Expenditures would be in the order of Yn635.9hn, up 8.3 per cent. Mr Liu blamed a wages explosion, partly due to infla-

in 1994. Revenue forecasts were exceeded because tax receipts were higher than expected. Among other main points of the budget statement were: Defence expenditures were

set to rise by 14.6 per cent to

tion, for pressure on spending

outlays, bowever, are believed to account for less than half of

support would increase by 13.7 per cent to Yn41.7bn in line with government attempts to boost grain production. Grester effort would he

made to improve the working of the new tax system, including value-added and consumption taxes.

• China planned to raise Yn152bn in domestic debt

including the issue of treasury bonds.

Mr Liu estimated that debt service this year for both domestic and foreign borrowings would amount to Yn86hn. an increase of 57 per cent over last year. He warned of a growing debt burden. "Due to our country's present level of outstanding debt, the expenditures for servicing principal and interest will grow larger and larger during the Ninth Five-Year Plan (1996-2001)."

Government departments

belts. "We shall strictly control the scale of investment in fixed assets and curtail the excessive growth of institutional spending," Mr Liu said. He singled out "serious overspending on construction", saying much waste was due to inaccurate

improper management. Mr Chen Jinhua, state planning minister, told MPs the government would not relent from its current credit squeeze as part of belt-tightening.

ASIA-PACIFIC NEWS DIGEST

Malaysians sue

Berjaya, the Malaysian industrial group, said yesterday it was taking legal action against Crédit Suisse in a suit seeking a total of M\$500m (£121m) and was asking the courts to nullify a

derivatives deal on which it faces losses of up to \$14m (£8.6m).

The move is the third in a wave of lawsuits surrounding a

The group accused CS First Boston (Singapore), CS First

Boston (Hong Kong) and Credit Suisse Financial Products,

London, of "negligent misrepresentation and/or negligence" in

the suit filed in the High Court of Kuala Lumpur last Wednes-

day. Also named as a defendant was Public Bank's offshore unit in Lahuan, in eastern Sabah state, ft is asking that Public

Bank Labuan declare null and void the interest-rate swap deal

The proceedings came more than a month after Public Bank

abuan filed a writ in a high court in London to claim

"damages for breach of an oral contract" first entered into on

November 15, 1993. Berjaya said the swap deal was entered

into by two of its senior executives without proper authorisa-

tion of the board. The two executives, Mr Yong Teck Ming and

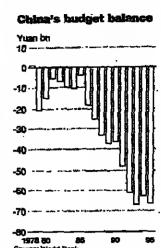
Mr Tan Koay Lye, were suspended. In late December Mr Yong, who left the company, said be was planning to sue units of Crédit Suisse for at least \$50m in damages for ruining his career. Reuter and AFP, Kuala Lumpur

said to have been entered into by Beriava Corp (Cayman).

Crédit Suisse

disputed interest rate swap transaction.

feasibility studies and



Hong Kong voters rebuff China in local elections

By Simon Holberton in Hong Kong

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Hong Kong's voters delivered a rebuff to the Chinese government in local government elections held on Sunday when they largely ignored Beijing sponsored candidates and voted for the colony's pro-de-mocracy political parties. It had been widely expected

that so-called "pro-China" candidates would do well in Sunday's poll. Despite the efforts of Beijing's representatives in the colony to present a more accommodating image, affiliation with the Chinese government proved an electoral liability rather than an asset.

Turnont was higher than expected, prompting some analysts to predict up to 1m voters might exercise their rights in September's elections for the

Sunday 25.8 per cent (562,000) of the electorate voted, compared with 23.1 per cent in 1991. Last year, China said it would annul the result of this election and others held according to Governor Chris Patten's political reform package. Sino-British co-operation on Hong Kong's political devel-opment collapsed in December

1993 When talks between the

two broke down. Beijing's participation in the poll raised hopes it might not enforce its threat. Failure of Beijing's candidates to make much headway in the latest poll is likely to be used by those in the Chinese government who have advised against participation in the colony's

Chinese officials were active

Legialative Council, Hong in mobilising "patriotic" Kong's lawmaking body. On groups to contest the 32 seats groups to contest the 32 seats in the colony's urban council and the regional council's 27 seats. The two councils are responsible for \$1bn (£633m) anoual speoding and are largely independent of the Hong Kong government. "We saw that essentially anti-Com-munist strain that surfaces when Hong Kong people are asked the question," one Hong

Kong official said. The Democratic Alliance for the Betterment of Hong Kong (DAB), Beijing's party in the colony, won eight of the 17 seats it contested. Mr Tsang Yok Sing, DAB chairman, said oo drastic changes would be made to the party's election fighting strategy.

The Democratic party, the main pro-democracy group in Hong Kong, cootested 36 seats,



Three Democratic party members celebrate their victory in Hong Kong's municipal elections

winning 23. Last week, the Democrats, who had publicly said they expected to win 22 seats, feared they might win

fewer than 18. The Democrats' smaller rival for the pro-democracy vote, the Association for People's Liveli-

bood and Development (ADPL), won eight of the nine seats it contested. The two parties combined have a one-seat majority on the regional council and more than a third of the seats on the urban council. Mr Patten said he hoped

co-operation with China on matters relating to the transfer of Hong Kong's sovereignty in 1997. On Sunday, China's premier Li Peng said be boped Britain would abide by the 1984

reason than most to keep a

close watch on Barings' long

positions. Though neither the

Bank of Japan nor the ministry

of finance would comment pub-licly, it has been widely

reported in Tokyo that the cen-

tral bank had approached the

OSE and Barings on two occa-

sions in the last month to

ascertain the safety of the posi-

tions being built. It was, appar-

ently, given satisfactory

answers. But it is unclear how

rigorously those answers were

pursued, by either the OSE or

There are concerns, too,

about Japan's role in the inter-

ments laid bare by the affair.

There is no evidence that the

Japanese regulators alerted other authorities about what it

knew until it was too late.

Rivalry between the Osaka and

Singapore exchanges is fierce -

the central bank.

Zhirinovsky redraws India

Mr Vladimir Zhirinovsky, the Russian ultra-nationalist leader calling for a redrawing of national boundaries through a large swath of Asia, said on a visit to New Delhi yesterday he wanted Pakistan and Bangladesh to be folded into India. He also said Russia and India, separated by several Central Asian countries, should share a common border.

"When I was born in 1946, there was only India, There was no Pakistan, no Bangladesh, I would like to die at a time when (it) would be the same," he said on arrival. His 30-member delegation includes five deputies of his Liberal Democratic party (LDP), one of the biggest groups in the State Duma, the ower house of parliament. He added that Russia could swap land with Afghanistan to bring the two countries together. Mr Zhirinovsky's visit is being hosted by the state-run Indian Council for Cultural Relations. Reuter, New Delhi

ADB takes strong forest line

The Asian Development Bank said yesterday it was adopting a new lending policy designed to arrest the "alarming" destruction of Asia's tropical forests. It would refuse to finance "any rural infrastructure or other public investment projects that contribute to the loss of forests" and would promote energy pricing policies to promote "the use of fuelwood alternatives

It will also support projects to create jobs in rural areas that are "designed to draw people away from illegal forest exploitation" and will direct agricultural assistance to "encourage intensive production on existing lowlands rather than on farming by clearing forest lands". A statement from the multilateral lender said "the rate of deforestation is alarming", with the region's forest area reduced by 9 per cent, or 45m hectares (111.15m acres), between 1980 and 1990, which was nearly double the annual replanting rate of 2.1m hectares. AFF

■ Philippine inflation dropped to 5.1 per cent last month, down from 6.2 per cent in January and less than half the 10.5 per cent figure recorded this time last year, the National Statistics Office said yesterday. Lower fuel and water charges were the main reason for the slowing in inflation to the smallest rise in the consumer price index since June 1987. Edward Luce, Manila

 Taiwanese consumer prices rose 3.43 per cent year-on-year in February. Inflation for the whole of 1995 is seen at 3.71 per cent, down from 4.09 per cent in 1994, said Mr Hsu Chang-yao, deputy director general of the Bureau of Statistics. Reuter.

Nine Japanese companies face collusion charges

By Michiyo Nakamoto in Tokyo

Japan's antitrust watchdog yesterday filed criminal charges against nine Japanese electrical machinery makers suspected of rigging bids for public sewerage contracts.

The Fair Trade Commission

launched criminal proceedings against Hitachi, Toshiba; Mitsubishi Electric and six other companies it believes have arranged successful bids for electric equipment contracts for the Japan Sewage Works

The move has attracted interest as the first time the FTC has filed charges against leading Japanese companies and only the second criminal charge since the country's antitrust rules were tightened in 1993. The agency has frequently been criticised for its lack of teeth in combating unfair competitive practices.

The nine companies charged yesterday are suspected of having formed a cartel which received advance notice of the Sewage Works . Agency's annual procurement plan, and holding discussions over many years to determine each company's share of the projects.

The criminal charges refer to alleged collusion in 1993.

suggested that it was not only sanctioned but encouraged by tha Sewage Works Agency which conducts tenders for the public works contracts on

behalf of local governments. The agency is supervised by the Construction Ministry from which it receives many of its The agency is alleged to have asked the accused companies to submit bids according to the mutually agreed rules. It fremently comes under pressur from politicians and local

tel system is thought to have enabled it to reflect such vested interests, industry members explained. The FTC, which was yester day confident that its latest move would help prevent similar bid-rigging activity, has frequently been criticised for its reluctance, or inability, to charge leading companies that

are widely thought to conduct such cartel activities routinely. Japan has faced criticism about collusion internally and from its trading partners, nota-bly the US which has often charged that widespread collusive practices act as unfair barriers preventing foreign companies from further penetrating Japanese markets.

Muted bark of market watchdog

Barings affair raises Japan supervision questions, writes Gerard Baker

be revelation at the weekend that leading Japanese banks may have more than Y60hn (£392m) in loans to Barings, the collapsed British merchant bank. has raised new questions in Japan about the effectiveness of the country's financial supervision. The débacle has already caused dislocation in the country's stock market, and the banks' problems will exacerbate the mood of financial uncertainty that prevails

Japan's powerful finance ministry might have been for-given a temptation to crow in te aftermath of the collapse of Barings. The counauthorities to award bids to try has long been pilloried for specific companies and the carrules that are thought to deter investment in its financial markets, especially in deriva-

The finance ministry bas defended these regulations by claiming they provide the best investor protection in the world. And it seems likely that some of the restrictive rules under which Barings operated in Japan may have prevented a more frightening collapse.

One regulation that has been a particular bugbear of the foreign financial community requires hefty margin payments on contracts on the Osaka Securitias Exchange (OSE). Investors wishing to take a position on the Osaka market must deposit with the exchange 30 per cent of the ini-

tial value of the contract. In Singapore the figure is a fraction of that. As a result, large volumes of futures business bave moved from Osaka to Singapore in the last three

Yet when an institution fails, and is unable to meet its obligations, as in Barings' case, the financial community is better protected by the Osaka regulations. The large margin payments on the OSE mean the exchange was comfortably abla to finance the losses without having to demand support from the members of the exchange - other brokers. The Osaka authorities say their expensive system was effective in containing the fall-out from Japan's bureaucrats will also

feel vindicated in their somewhat disapproving approach to derivatives trading in general. In spite of pressure from would-be investors and foreign governments, the finance ministry has dragged its feet in liberalising the rules. The most prohibitive regulation - one that prevents trading instruments such as futures off-exchange - has its roots in antigambling measures. The ministry is reviewing these rules but the Barings collapse is likaly to

make its steps even slower. Indeed, it was the law forbidding the off-exchange trading of futures that in effect scup-pered hopes of an immediate "lifeboat" rescue for Barings.

When the Bank of England approached the Bank of Japan 10 days ago in an effort to enlist its help in persuading Japanese banks and brokers to take on the loss-making Barings positions, the Japanese central bank replied that its

hands were tied by the law. "The MoF will not have been at all unhappy over the renewed concern about derivatives that has arisen from the Barings collapse," said one analyst with a US company. "It could set the reform process back a while."

While the authorities are likely to feel some satisfaction that their cautious attitude towards liberalisation has been justified, they are no better able to explain why so little was done about the warning signs Barings was giving off than are their counterparts in the UK and Singapore.

For some months the bank had been amassing a substan-tial position in Nikkel futures on the Osaka exchange. This should have caused particular concern for the Japanese authorities because such a long position carried with it a substantial threat for the whole Japanese financial system. Were those long positions to be unwound quickly (as hap-pened) the consequent slump in the market would have been to weaken further Japan's banks by reducing the value of their shareholdings.

So the Japanese had more

Osaka is somewhat miffed at having lost so much business to Singapore - and critics say that this has resulted in insufficient co-ordination between This is perhaps the most troubling aspect of the affair from the regulator's viewpoint. For all the close control exer-

cised by Japanese authorities, in a global market where banks are capitalised in one country and taking risks in another, without proper co-operation among the police-men financial mishaps can

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Gore to meet top Tory over Irish peace

By John Murray Brown in Dublin and John Kampfner in London

Sir Patrick Mayhew, Northern Ireland secretary, yesterday flew to Washington for the first talks between the UK government and the Clinton administration since publication of the Anglo-Irish Framework Document aimed at securing peace in the troubled British

Sir Patrick is scheduled to meet Vice-President Al Gore, Mr Warren Christopher, Secretary of State, and Mr Tony Lake, National Security

Adviser, as well as leading figures on Capitol Hill. Officials said Sir Patrick would give an "upbeat assessment" of progress towards a Northern Ireland political settlement despite the pro-British

Ulster Unionists' denunciation of the

document and ending of links with

"There are welcome signs that the constitutional parties will be talking about the issues raised in it," Sir Patrick said before leaving Britain. "I believe the (US) administration will wish to encourage this and the more

the Conservatives.

encouragement thet comes from Washington the better. Sir Patrick is also likely to enquire about any decision on a visa applica-tion for Mr Gerry Adams, president of Sinn Fein, the political wing of the

Irish Republican Army.

Mr Adams' last visit was made conditional on not taking part in fund-raising and there has been growing concern at Westminster that such a restriction might be waived.

As he embarks on the difficult task of establishing talks between Northern Ireland's parties, Sir Patrick has

offered to upgrade exploratory meet-ings with Sinn Fein to ministerial level if it promotes progress on arms decommissioning. The US has also stepped in with a call to the IRA to hand over its weapons.

Meanwhile, Ulster Unionist MPs yesterday threw their weight behind proposals for an outside organisation to be engaged to help facilitate the decommissioning of paramilitary

The unionists are keenly aware that after what they see as the snub by the UK government, they may have no Their plan is for an international dis-"person of international repute" such as a former commander in Bosnia, to be set up to deal directly, "without interference" with the paramiltaries.

The move is clearly aimed at turning public attention back on the IRA. By internationalising the arms issue, they believe the goodwill of the IRA can be put to the test after a period in which Sinn Féin has been perceived as taking a more constructive role in the political process.

■ Latest Bentley will cost \$342,000 ■ Choice of partner explained ■ Rover market share slips

R-R aims at closer BMW links for mass-market manufacturers

By Kevin Done, Motor industry Correspondent

Rolls-Royce Motors Cars will unveils at the Geneva motor show today a flagship model for the group, the £215,000 (\$341,850) Bentley Azure con-

Rolls-Royce hopes that the new model, the most expensive series production car in the group's history, will help to boost profitability in a period when its overall sales volumes are recovering only slowly from the low point of the last

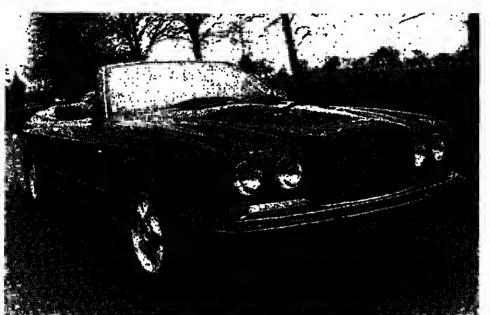
The company is also extend-ing its collaboration with BMW of Germany, with which it reached an engine supply agreement at the end of last

Sir Colin Chandler, chief executive of R-R's parent group Vickers, said Rolls-Royce would derive other key compo-nents from BMW technology including air conditioning, brakes and gearboxes.

In addition the two groups expected to decide later this year on a joint venture project to develop a "smaller" Bentley convertible and coupé based on the Java concept car unveiled at last year's Geneva motor

The two groups were studying the styling, technology and pricing of the car, which would be based on a BMW chassis platform, Sir Colin added. A decision to go ahead with

the Java project could lead to a virtual doubling of production volumes by Rolls-Royce Motor Cars by the end of the decade. The company believes the car would sell for £90,000 to £100,000, which would bring it into direct competition with luxury sports cars such as the Aston Martin DB7. Output could total 1,500-2,000 a year.



The Bentley Azure convertible is the most expensiva series production car in Rolls-Royce history

Sir Colin said Vickers had chosen BMW in preference to Mercedes-Benz as a partner for Rolls-Royce because its "pricing was a bit more competi-

In addition BMW had been "very quick and responsive", whereas Mercedes-Benz "was a bit more bureaucratic". Vickers also believed that BMW "would try harder", as there was "more of a gap" between its cars than Mercedes-Benz's with the Rolls-Royce and Bent-

today and designed in collaboration with Pininfarina, the Italian design house, will have a top speed of 150mph, 0-to-60 acceleration of 6.3 seconds and an urban fuel consumption of 9.9 miles per gallon.

Only 118 of the cars, a convertible version of the Bentley Continental R coupé launched at Geneva in 1991, will be sold

Sales of Rolls-Royca and Bentley cars rose only modestly by 4 per cent to 1,414 last year from 1,360 a year earlier. Profitability improved strongly, however, as a result of a much richer product "mix" with increased sales of the group's more prestigious models including a rise in the number of "bespoke" models produced by its Mulliner Park.

The Bentley Azure, unveiled Operating profits of Rolls-Royce Motor Cars rose to £30m in 1991.

Ward specialist coachbuilding

trading losses of more than £20m in 1992 and more than Vickers expects Rolls-Royce

car sales to rise by about 10 per cent this year to between 1,550 and 1,600 with an increasing trend towards the highermargin models such as the

The company has been drastically restructured to taka account of the steep fall in sales it suffered in 1991 and 1992. It has reduced its break-even production level to fewer than 1,300. Output totalled 1,356 last year compared with 1,263 in 1993 and was still much less than half the 3,274 cars produced in 1990. Last year's sales of 1,414 compared with the record 3,333

achieved in 1990. While sales rose last year by 27 per cent to about £14m last year from less 460 in the UK and by 22 per than £4m in 1993 following cent to 116 in Japan, volumes fell by 6 per cent in North America to 335 and by 11 per cent in mainland Europe and by 6 per cent in the Middle

Roll down sunroof, Page 15 saw a 28.1 per cent surge in

testifies to sensitivities in cabi-net, with ministers now under

pressure to resign at the first

As Downing Street sought to

limit the damage of the latest revalation, Mr Hughes appeared with his wife outside

his Harrow West constituency

office to comment on an affair

said to have taken place six

months ago. The choice of Mr Horam, 56

today, as his successor sur-

After serving in the Callaghan cabinet, Mr Horam broke away to join the Social

Democrats in 1981. He lost his

seat two years later, joined the

Conservatives in 1987 and was

elected to the safe seat of Orpington in the 1992 election.

Labour MPs were quick to

prised many at Westminster.

sign of trouble.

ECISTRATIONS OF NEW GARS 100.0 39.5 60.5 11.5 55.7 44.3 100.0 42.5 57.5 10.4 52.2 47.8 +10.0 +16.2 +11.5 -3.7 0.4 18.7 18.0 0.7 15.3 12.8 2.5 11.4 7.9 3.5 6.0 6.5 4.1 7.0 +1.4 -3.5 +26.4 0.7 0.7 3.5 2.8 2.7

Registrations of new cars rose last month for the first time since September, But the rease was due solely to fleet and other business buyers. Private purchases remained below their levels of a year before, as they have done

repeatedly since last summer. Fleet and business purchases were 11.5 per cent higher last month than in February 1994, but private purchases were 3.1 per cent lower. Figures for registrations of commercial vehicles, also published yesterday, emphasised that the motor trade and industry's ns are confined entirely to the private sector. February

registrations of vans, trucks buses and coaches to 20,896 leaving the total for the first two months of the year as a whole 25.8 per cent higher, at

Total new car registrations for the first two months, at 343,515, were 0.2 per cent lower than in the same period last year. Private purchases were 8.9 per cent lower, year-on-year, and fleet and business on-year, and fleet and bu purchases 8.5 per cent higher. The gap between market leader Ford and second-placed General Motors widened last month, with the GM's ageing Vauxhall Cavalier losing ground to Ford's Mondeo, Rover also lost ground.

UK NEWS DIGEST

Official forecast of immigration rises sharply

Nearly 1m immigrants are expected in Britain over the next 20 years, partly because of an unexpected influx of people from the European Union, say government projections. The figures, compiled by the Department of the Environment, represent a sharp change from government estimates in 1991, when zero net migration was forecast.

The inflow of new citizens will contribute to the country's need for extra bomes, which most housing groups already estimate at 1m. This is due to rising divorce and life expecestimate at the transport of single-parent tamey rates, as well as a growth in the number of single-parent households. The population of Greater London is projected to rise by 474,000 between 1993 and 2011. A net 1.05m people are expected to leave the capital for other parts of the UK, but a net inflow of people from abroad is forecast at 690,000 for the same period, with natural growth raising London's total population to 7.4m from 6.9m.

The report comes three weeks after Mr Charles Wardle resigned as a junior trade minister, warning the government that the EU might force the UK to relax its border controls. Mr Wardle said this would help non-EU citizens to enter the UK. The Dog's projections do not take this possibility into account. As well as coming from the EU, the immigrants are also

expected from Africa, south Asia and the Caribbean. The government expects each year an additional 20,000 asylum seekers and "visitor switchers". The latter come to the UK for a year or less and are then allowed to stay longer, usually because they marry or start studying. Over the same period, a net outflow of 20,000 people each year will go to Canada; New Zealand. Australia and the US. According to the government figures, the total number of households in England will rise by nearly a quarter, from 19.2m in 1991 to 23.6m in 2016. The forecast growth is 50 per cent faster than had previously been projected. The number of households in the UK rose by more than 40 per cent between 1961 and 1993, while the average household size fell from 3.1 people to 2.4. Simon Kuper

Managers win big pay rises

Management pay rises are running at their highest level for two years, says the pay information specialist Incomes Data Services. Rises for managers and professional staff in the private sector rose to an average of 3.6 per cent in the three months to January 1995, it adds. This compared with an average of 2.9 per cent in the sama period a year before.

15-3-4----

Incomes Data says pay freezes have virtually disappeared and most rises are in the 3 per cent to 3.9 per cent range. It adds that recruitment and retention problems have re-emerged as a reason for paying extra to some specialist groups such as information technology employees. Richard Donkin, Employment Staff

Union ballot soon at Barclays

Thousands of employees are to be balloted over strike action at Barclays Bank, which is today expected to report a sharp improvement in profitability. The Barclays Group Staff Union will ballot its 32,000 members after rejecting a 2.75 per cent pay offer. It complained that the proposed deal would be the third below-inflation award given to workers in successive years. The union, which represents two-thirds of Barclays workers, is demanding a 5 per cent rise.

Meanwhile the Banking, Insurance and Finance Union chalenged Barclays directors to take the same pay rise as that planned for staff. Mr Rob MacGregor, assistant secretary with Bifu, said: "We don't want one law for the top and one law for the rest - all employees generate profits. Andrew Bolger, Employment Correspondent

Post Office scorns strike

A strike by workers in Post Offices yesterday was dubbed a flop by managers who claimed that just 75 offices were closed by the action compared with 120 in a similar 24-hour strike before Christmas. The Post Office said 1,700 workers in its Counters division had backed the industrial action called by the Communication Workers Union in protest at franchising o main offices. The union has described the franchising as "backdoor privatisation". The union maintained that members in 19 regions including London, Glasgow and Bristol had taken part in the strike, which did not affect mail deliveries and

Nationalism surges in Scotland: Support for the Scottish National party ootnumbers that for the governing Conservatives by almost 2 to 1, an opinion poll in the Glasgow-based Herald newspaper suggests. The SNP campaigns for full independence for Scotland outside the UK but inside the European Union. The poll of more than 1,000 voters late last month puts support for the opposition Labour party at 52 per cent with the nationalists at 25 per cent and the Conservatives at 11 per

A show is born: Sir Andrew Lloyd Webber is to bring the Judy Garland musical A Star Is Born to the stage on Broadway and in London's West End. Sir Andrew has just bought the rights to the 1954 film, which has never been staged before, from Warner Brothers. "We are not absolutely certain whether it will premiere in the West End or Broadway but there will be productions in both Loodon and New York," said a representa-

Stag hunters at bay: A dispute over whether a municipal authority has the power to ban stag hunting across the Quantock Hills in south west England because it is "cruel" has begun in the Court of Appeal. Somerset County Council is challenging a High Court ruling that council members exceeded their powers when they voted in 1993 to ban bunting because it was "morally repugnant". More than 30 councils which have imposed similar bans are awaiting the outcome of

Police to target animal activists

By James Harding

Britain's senior police officers are to launch a co-ordinated assault on violent animal wel-

Under the plan drafted by the Metropolitan Police Special Branch, which is being exam-ined by the Association of Chief Police Officers, resources from the anti-terrorist branch of Scotland Yard would be deployed to crack down on ani-mal rights-related crimes.

The initiative follows a meeting last month between Mr David Maclean, a Home Office minister, and Sir David Naish, president of the National Farmers' Union, to discuss the problems of policing animal welfare protests. Sir David has voiced farmers' concerns that a radical element is hijacking the animal welfare movement. The NFU said: "Law and order must be maintained and our members, many of whom have

Admiral's Cup

_{ord} krywinia, mozili og ⇔ kriti et

sures them of their safety."

According to Special Branch figures there were 585 incidents involving animal rights campaigners in the first eight months of last year. The vast majority of the cases involved criminal damage, at a total cost of £5.38m (\$8.55m).

Non-violent animal welfare campaigners, however, feared the move could discredit "what is an overwhelmingly peaceful movement". Although they endorsed the fight against vio-lence, peaceful campaigners were "deeply concerned" that "the overall package might stifle legitimate protest".

Police officers emphasise at violent extremists and not peaceful protesters. Scotland Yard hopes that skills employed in tracking terrorists may be appropriate in fighting animal welfare ectivists who are prepared to use criminal been threatened, would wel- tactics to further their cause.

Admiral's Cup Winner with enamelled nautical pennants marking the hours. Registered model,

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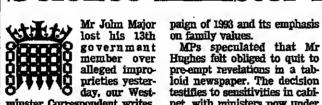
Fresh embarrassment as Major's government suffers 13th rapid exit

Science minister resigns over affair

minster Correspondent writes. Mr Robert Hughes, a junior minister, resigned after admitting to an extra-marital

administration.

Maîtres Artisans d'Horlogerie



Mr Hughes, number two at tha Office of Public Service and Science, was replaced by Mr John Horam, who returns to government benches for the first time since serving as junior transport minister under the 1976-79 Labour

Mr Horam moved to the breakaway Social Democratic Party in 1981 and joined the Conservative party in 1987. The sudden resignation marks the latest in a series of embarrassments for the government that can be traced back to the prime minister's



Robert Hughes admitted to an extramarital affair

Kevin McNamara, an opposition front bench spokesman. said: "I sympathise with you in your predicament that having started off with such high hopes in this House as a sponsored member of the Transport and General Workers' Union, you should have ended up as a junior minister in the most dis-

tury."

• Members of the House of Commons' Privileges committee met last night to examine a draft report outlining actions they could take against three Tory MPs who are alleged to have received cash for tabling parliamentary questions. The MPs - Mr Graham Rid-Valley, Mr David Tredinnick, the MP for Bosworth, and Mr

credited government this cen-

dick, the member for Colne Bill Walker, the MP for North Tayside - are alleged to have breached parliamentary rules by each accepting payments of £1,000 from a Sunday Times reporter, posing as a businessman, to ask questions of minis-

It is understood that the report, which was drawn up by the committee's clerk, outlines the full range of punishments which the committee could impose on the MPs, but suggests that the individuals are subject to different degrees of

Capacity shortages stack up over London

industry, the British government's announcement last month that no new runways would be allowed in the Lon-don area spelled the end of the UK's premier position in European aviation.

Heathrow, Europe's leading airport, is heavily congested. Last summer many airlines were refused take off and landing slots because there was no room for them. Naverthaless, Mr Brian

Mawhinney, transport secre-tary, ruled out a third runway at Heathrow and said Gatwick, London's second airport, could not build a second runway. A few days later Schiphol Amsterdam's airport, received Dutch government permission to build a fifth runway.

Opponents of new runways at Heathrow accept that, because of their actions, Heathrow and London could face long-term relative decline. Frankfurt airport both have Airports are caught between reluctant residents and determined commercial rivals, says Michael Skapinker

leading airport. It might take years for European airports outside the UK to catch up. In 1993 Heathrow handled 48m passengers, Frankfurt 33m, Charles de Gaulle 26m and Schiphol 21m. The campaigners accept that without expansion at Heath-row the non-UK airports will

member of the Heathrow Association for the Heatin W Assi-ciation for the Comtrol of Air-port Noise, said. "I think that's a choice we're making." Mr Brendon Sewill, chair-man of the Gatwick Area Conservation Campaign, said the UK was too small and crowded to accommodate endlassly

Mr Dermot Cox, a committee

close the gap.

expanding airports. Airport expansion around

ambitions to become Europe's Heathrow and Gatwick campaigners are respectable, articulate and financially literate. Airline executivas are astonished at their power.
London is a city that every

airline in the world wants as a destination. How, the executives ask, can the government permit environmental protests to damage such an esset? One organisation which

takes a more cheerful view is BAA, which owns Heathrow and Gatwick. BAA last year asked the government to rule out a third Heathrow runway. Mr Richard Everitt, BAA's atrategy director, said his organisation never believed a third runway was possible because it would have involved

the demolition of 3,300 homes.
"In a democratic society, on the world attracts environmental protests, often violent. The you are going to blitz through

three and a half thousand homes isn't a practical proposi-tion," he said.

BAA says it can maintain Heathrow's leading position in Europe with only two run-ways. What it desperately needs is a fifth terminal. A public inquiry on plans to build one will start in May.

Mr Everitt said a fifth terminal would allow Heathrow to increase its passenger capacity to 80m through more efficient use of the existing two run-

ways. Heathrow uses different runways for take-offs and landings. At 3pm the runway used for take-offs in the morning and early afternoon becomes a landing runway.

The one used for landings in

the morning is used for take-offs in the afternoon. As aircraft land and take off from

different directions, this gives nearby residents one quiet

period each day.

A study published last year by organisations such as BAA and the Civil Aviation Authority said that by using both runways for take-offs and landings the number of aircraft using Heathrow could be substantially increased. This might sound dangerous but BAA says

it is commonplace.

Mr Everitt said, however, that these changes were not needed for Heathrow to accommodate another 30m passen-gers a year. Traffic could be increased, using the current runway set-up, by improving pilot landing techniques. Heathrow could also build rapid exit taxiways to reduce the amount of time aircraft

spend on the runway. BAA's difficulty is thet campaigners are preparing a vigorous fight against a fifth terminal. Even optimists concede that if they win, London's posi-tion will be lost.



INTERNATIONAL PEOPLE

New head for Daimler service arm

■ Klaus Mangold, former chairman of the Quelle mail order group, will become chairman of Daimler-Benz InterServices in late May. He replaces Manfred Gentz who takes over responsibility for finance and personnel on Daimler Benz's management board.

Robert B Shapiro, 56, chief executive of Monsanto, takes over as chairman on April 1 from Richard J Mahoney, 61, who has headed the company since 1983.

Alfred Powis, who has headed Canada's Noranda mining group for 27 years, steps down as chairman next month and will be succeeded by David Kerr, who will be chairman and chief executive.

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■ Olof Lundberg is resigning as director general of inmarsat, the international maritime satellite organisation, to be chief executive of Inmarsat-P. an affiliate developing a global mobile telephone service.

■ Michael Baunton, 44, has left Tenneco's Walker Manufacturing in the US, to return to the UK as chief executive of Varity Corporation's Perkins diesel engine business.

René Karsenti, treasurer of

the European Bank for Reconstruction and Development, joins the European Investment Bank in May as director of finance and treasury. He will he replaced by his deputy,

■ Edward E Sheridan, 40. has replaced Joseph M Petri as head of Merrill Lynch's institutional client division. Petri, 42, is setting up his own money management firm. Joseph H Moglia, 45. who joined Merrill in 1984 after 16 years as a football coach, succeeds Sheridan as head of the municipal mar-

kets division. ■ Arthur Stephens, 46, president of Houston-based Brown & Root Services Corporation, has moved to London as chief executive of the firm's operations in Europe, Africa, and the former Soviet Union. He replaces Keith Henry, 50, who has left to be chief executive of National Power. Sir Denys Henderson, who

steps down as chairman of ICI next month, chairman of The Rank Organisation. ■ Marco Landi, 51, former president of Texas Instruments

Europe, president of Apple Computer Europe. He replaces

July.

Norman Davidsoo Kelly, a former executive director of Lasmo, senior vice president corporate business develop-

Soren Olsson who left last

ment at BHP Petroleum.

Sir Neil Macfarlane, 58, a former British government minister, chairman of Securicor Group and Security Services. He replaces Peter Smith, 74, who retires after more than 20

years heading the group. ■ Steven G Lamh, 38, chief operating officer of Case Corporation, the agricultural equipment maker. He will continue to bead Case's European operations

David Kogan, 37, who joined Reuters following its 1992 acquisition of Visnews, manag ing director of Renters Television. He replaces Enrique Jara, 55, a former journalist who is moving to Argentina as direc-tor of television and new media development Latin America. Mark Soich, a director of Wertheim Schroder, has joined Bank of America Securities as managing director for Euro-

Clint Marshall, 46, an assis tant general manager of Hongkong and Shanghai Banking Corporation, is to succeed Colin Bamford, 52. as chief executive of the HongKong Bank's Japanese operation.

Rajesh K Shah, has joined

United Technologies, from Varity Corporation, as chief financial officer of UT Automotive. John E Bryson, 51, chief executive of SCEcorp, parent of the second biggest US electric utility, a director of The Boeing Company.

■ Jimmy Shen, former general manager of China's First Paper (Yantai) Corporation, presiden of the Asia/Pacifc arm of Varity, the US industrial company. Barry R Sloane, 40, former senior vice president of J & W Seligman, has joined Credit Suisse as group executive for private banking, Credit Suisse

International appointments

We hope to create in these columns a comprehensive listing of senior appointments in tional companies. Please fax announcements of new appointments and refirements to +44 171 873 8926, marked for International People. Set fax to 'fine'.

Dutch cartel loses appeal



Court of First Instaoce has rejected an appeal by 29 Dutch building EUROPEAN Contractor associations.

COURT - The associations had appealed against a 1992 European Commission decision that refused them an exemption from EC competition rules and imposed fines totalling Ecu22.5m.

The Commission decision concerned the constitution and certain rules on tendering procedures and prices of the members of the Dutch national SPO Association.

The Court first dismissed contentions that the decision was noo-existent or void because of defects in the way it was adopted. On the facts, the CF1 found that there were oo grounds for doubting the veracity of the decision.

It weot on to dismiss each of the grounds relied on by the associations for annulment of the decision.

The rules of the umbrella SPO Association provides that, when several members tender for a building contract, the SPO must hold a meeting to determine the lowest competitive teoder. The tenderer chosen ("the entitled undertaking") is then protected in various ways from competition from the other members, thus reducing the freedom of choice of the customers awarding the construction contract.

The regulations also required certaio price increases to be added to the tender price to cover reimbursement by the entitled undertaking of tender costs incurred by the unsuccessful members ("calculation costs")

The CFI first confirmed the Commission's findings that the rules in question restricted competition in breach of the treaty, since there was an unlawful exchange of price information and concerted action by the would be tenderers on the terms and prices of their tenders which limited the parties' freedom to negotiate.

In particular, the Court confirmed that the treaty dealt with such rules, applicable throughout the Netherlands, if they were potentially capable of affecting trade even if there was no appreciable effect on actual trade. Thus account

The European could be taken of directives opening up the public procure ment market in future.

Second, the Court approved the Commission's refusal of the exemption requested. In particular, it said it was sufficient that the customers did not receive any share of the alleged economic benefits of the restrictions.

The CFI rejected the associa tion's criticism of the Commission's micro-economic analysis of their rules, which they claimed were intended to remedy macro-economic structural imbalaoces hetween supply and demand. These resulted from the characteristics of the sector and from Dutch legislation, which favoured the consumer and did not facilitate counteraction to the "playingoff" of tenders by the contract awarders.

The hurden of proof that exemption was justified always lay with the applicant, the Court said. The Commission was right simply to assess whether or not the two central elements of the regulations namely the protection of entitled undertakings and reimbursement of calculation costs - satisfied the conditions for

exemption. The Court also found that the restrictions of competition were oot indispensable to achieve their alleged aims. namely improvement of the market halance hetween demand and supply by limiting transaction costs and to counteract "play-offs" which could lead to ruinous competition between tenderers. In particular, the cootract awarders who knew their requirements best

The CFI confirmed that its powers were limited when reviewing the complex economic assessments made by the Commission in exercising its discretionary exemption powers. It could only check for procedural irregularities, madequate reasoning, inaccurate facts, manifest error of appreciation or misuse of powers.

Finally, the contection that the fines were excessive was rejected by the Court, since they represented only 0.5 per cent of the average annual value of the contracts covered. T-29/92, SPO v Commission. CFI 1CH, February 21 1995.

BRICK COURT CHAMBERS.

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NOTICE OF ADJOURNED EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an adjourned Extraordinary General Meeting of Shareholders of Fidelity Orient Fund ("the Corporation") will be held at the registered office of the Fund in Luxembourg on Tuesday March 21, 1995 at noon to consider the following proposed amendments to the Articles of Incorporation:

AGENDA

1. Deletion in paragraph 2 of article 24 of the Articles of Incorporation of the terms "in Luxembourg" in the two places where they appear.

2. Deletion in article 24 paragraph 5 of the two references to "close of business" and replacement in the first instance by the words "time of valuation (as the Board of Directors may by resolution direct)" and in the second instance by the words

"time of valuation". 3. Amendment of the "Valuation Regulations", sub-paragraph B(ii) of article 24 of the Articles of Incorporation so that it reads as follows:

"(ii) the value of any bond, time note, share, stock, debenture stock, subscription right, warrant, option or other investment or security which shall be listed or dealt in upon any stock exchange shall be determined as at the time of valuation (as the Board of Directors may by resolution direct) on any Valuation Date by taking the last available closing price (or if there has been no sale, at the closing bid price) on the Valuation Date on the stock exchange that is normally the principal market for such security, all as reported by any means in common use or, if the Board so decides, at the last available price at the time when the valuation is carried out, or in event of emergencies or unusual circumstances regarding trading of such security, if the Corporation considers that such price does not reflect the fair market value thereof, it may substitute such figure as in its opinion represents the fair market value".

4. Deletion in the Valuation Regulations Subparagraph D, F (a), F (b) and F (c) of the terms "close of business" and replacement by the words "time of valuation".

Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of shares by US persons or of shares which constitute in the aggregate more than three percent (3%) of the outstanding shares, each share is entitled to one vote. A shareholder may attend and vote at the meeting or may appoint a proxy to attend and vote. Such proxy need not be a shareholder of the

Resolutions on the agenda of the Adjourned General Meeting will be adopted if voted by two thirds (2/3) of the shares present or represented.

This meeting is an adjournment of the Extraordinary General Meeting held at the registered office of the Corporation on February 15, 1995 due to a lack of quorum as only 310.000 shares were present or represented out of 715,634.07 outstanding shares as at the close of business on February 14, 1995.

On behalf of the Board of Directors



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The electronic purse is a plastic bank card embedded with a computer chip that replaces the need for cash when making small payments anywhere from a taxi cab to a flower stall without requiring a link to a central computer net-

Portugal's innovation is not in developing the individual components but in applying the technology in a national system of electronic payment that integrates "smart card" purses with the exist-ing network for direct debit and credit cards.

Small retailers, from newspape kiosks to coffee bars, are equipping themselves with portable terminals about the size and weight of a telephone handset for accepting payments made with Portugal's Multi-banco Electronic Purse (Mep) cards. Public telephones as well as auto-matic vending and ticket-issuing machines are also being adapted so that the Mep system can be used for a wide range of automated pay-ments from car washes to public

transport and postage stamps. Most of Portugal's 35,000 electronic point-of-sale (Epos) terminals, already used by higger outlets for debit and credit card payments. are to be converted or replaced to accept electronic purse payments as

Mep cards can be recharged indefinitely - currently up to a maximum of Es40,000 (approximately £165) ~ from the bolder's bank account through any of Portugal's 3,500 hole-in-the-wall automatic teller machines (ATMs).

Service providers, when their terminals are not linked to the central computer network, transfer takings to their accounts through the ATM system using high-security retailer

etting kids create their own "Saturday morning" style

cartoons is the theme of the

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Electronic petty cash

Peter Wise looks at a rechargeable card which the Portuguese are using to make small payments

cards. More than 500,000 Mep payment cards are expected to he issued this year following the launch of the system in February. Smart cards equipped with a microprocessor are not new. France, pioneer of the technology that provides greater power for storing and handling information than the magnetic-stripe cards issued in most countries, has 21m of them in

But France uses them mainly for traditional direct debit and credit card payments and only as elec-

An electronic payments highway that makes all the services of any bank available at any ATM

tronic purses in small, closed systems such as local transport networks, Finland and Denmark have also recently introduced electronic purse cards.

But all these purse systems use disposable cards that simply "burn" units as purchases are made. Like telephone cards, they have to be thrown away and replaced when their total value has been spent. Portugal is the first country to

introduce an electronic purse that is both universal - a card issued by any bank can be used to pay for any service anywhere - and perma-nently rechargeable through any ATM. It leads the field in replacing small change with plastic hecause of an important option made when the country, a late starter, began introducing electronic payment in

Banks in most countries bad opted for relatively self-contained systems that make available a variety of operations at their own ATMs but little more than cash with-drawal at ATMs belonging to other banks. Portuguese banks resolved to pool resources and produce an electronic payments highway that makes all the services of any bank available at any ATM. They created a company called

Sociedade Interbancaria de Serviços (Sibs), today owned by 31 banks, to provide a shared network. Individual banks market their own cards, ATMs and Epos terminals, but share the same centralised information network and clearing system. This enables all Multibanco sys-

tem ATMs to provide 26 sophisti-cated services from booking train tickets and paying utility bills to toying with investment portfolios and interbank transfers. The next service planned is tax payment,



Cashless coffee: Partugal's electronic purse is both universal and rechange

The Mep cards, using a microprocessor made by Gempius of France, cost about Es700 each to produce. codes have to be punched in and there is no waiting for a con-nection with the system," says Filipe Santos of Sibs. The cards will greatly simplify purchases, reduce bookkeeping and improve

TECHNOLOGY

security. Sibs has designed portable terminals, using a security chip made by Dallas Semiconductors of the US. that it believes to be virtually fraud proof. Retailers' takings are safe,

but losing a Mep payment card is the same as losing cash.
Portugal is confident the Mep system satisfies the accountability requirements of the European Monetary Institute. Concerns about currency being irregularly issued in electronic form have been raised over electronic purse systems that would allow values to be transferred from card to card, such as

the Mondex system being developed hy National Westminster Bank, rather than to and from hank

this multimedia title looks different. Mncb of the violence that marked the early cartoons is gone,

distribution will follow the US release. All Big Top titles are designed to be cross platform and are available for Windows and Macintosh systems.

Technically Speaking

Taste for S Korea's industrial culture By Denis Noble

Korea today it is difficult to imagine that the country was ruined and destitute 40 years ago. Only the short stature of the over-40s remains as vivid evidence that when these people were young

when these people were young even rice was in scant supply. Today, overflowing restaurants perfume the crowded streets with their inviting and unique cuisine.
The country now ranks 12th in
terms of world trade.
What explains this extraordi

nary economic turnaround? I have no doubt about the answer. It lies in the way in which the mastery of the physical world through science and technology permeates Rorean culture.

As you would expect from something that is deep inside a culture, it also found expression in previous centuries. The printing of books was invented as early as 1232. Iron-clad "turtle" ships were built in the 1590s, centuries before metal ships were built in the west. There should be no surprise therefore, that shipbuilding flour-

isbes in modern Korea.

What is the policy on industry and on investment in research and development that makes all this possible?

Although clearly capitalist. Korea is also an example of a command economy that has worked. Successive live-year development plans have been the engine for close co-operation between government and industry. The current plan aims to increase R&D investment from around 2 per cent to between 3 and 4 per cent of gross national product, which would even surpass the investment levels in Germany and Japan. A very large part of Korea's additional spending on R&D will come from industry. though the government has also pledged to increase its investment by 20 per cent annually.

Should others fear these developments or seize upon them as providing valuable new opportunities? There is every argument for seeing new, challenging and very rewarding opportunities:

· The English-speaking world

Visiting South has a natural advantage when it Korea today it is comes to language. English is now taught even at primary school level in Korea. The demand for English high school and university places has therefore grown. • In turn, Korea is keen to see its own culture appreciated elsewhere. Through funding bodies like the Korea Poundation and the Korea Research Foundation, it is actively supporting the development of Korean Studies and language training abroad, and the exchange of scholars with foreign countries. These need industrialists, financiers, scientists and engineers who can deal with their Korean counterparts effectively.

• In science and technology, the

UK, for instance, has a golden opportunity. It is perceived by the Koreans as excelling in the cre-ative aspects of science. Through developments such as the Highly Advanced Nation project, Korea is looking for fruitful collaboration with foreign scientists.

· In industry, the west could emulate the confidence that leads Korean industry to make invest-ment in R&D such a high priority. And western countries could build further on effective partnerships with Korean companies, particularly where their strengths complement those of Korea.

A UK government committee (of which I am a member) is publishing a detailed report tomorrow on the possibilities for collaboration with Korea in science, technology and industry. It is a practical document full of proposals for con-crete action. UK scientists, industrialists and financiers should study its recommendations care fully and see how many could be implemented.

Most important is to emulate Korean enthusiasm for things technical and the confidence in the future that brings. East Asian countries have succeeded in part through absorbing and adapting much that is good in western culture. The west has everything to gain from seeing whether it can, in turn, learn from their culture.

The author is professor of physiology at Oxford University. He has collaborated with Korean scientists

Felix on CD-Rom

Children can create their own cartoons featuring the

with the forthcoming Disney film Felix the Cat and a Felix cartoon the US later this antumu. The company plans future Cartoon Toolbox titles featuring different

Jim Myrick, Big Top co-founder and vice president of marketing, says he first became fascinated

BUSINESS OPPORTUNITIES

READERS ARE RECOMMENDED TO SEEK APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

inspiration to produce a software program that could allow children

productive computer around - the brain. Let's give children tools that encourage their creativity," says

eventually teach children to tackle more sophisticated multimedia creations, as the title teaches basic multimedia authoring skills.

Children start by choosing from a selection of backgrounds, They can then place Felix and other characters in the scene, specifying what kinds of animation they sbould perform and in which

For people who remember the original Felix the Cat cartoons from the late 1950s and early 1960s,

replaced by a gentler, more "politically correct" context. The Cartoon Toolbox will retail at \$54 (£34) and worldwide

LEGAL NOTICES

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Notice is berely given that the Carditors of the above-parried Company, which is being voluntarily would up, are required on or before the 29th sky of March, 1995 to send writing their names and addresses, with the particulars of their debts or claims, and Printed of Eroca Frances & Son, Somesset House, Blagrave Street, Reading, Berkshire RG1 10B, the Joint Liquidator of the said Company, and, if so required by notice in writing by the wild Liquidator, are by their solicitors or personally to come in and prove their said debts or claums at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are

NOTE: All known Creditors have been, or will be paid in full Dated: Nh March, 1995 Signed: R.N. PITTMAN Joint Liquidator

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FT Surveys

'wonderful wonderful' cat, writes Tom Foremski

month in the US, will be linked to worldwide marketing associated series for TV that will be shown in

with the Felix the Cat character when he was a child, watching cartoons on the TV in the early 1960s. This gave him the

to create their own animation. "There are too many programs out there that don't utilise the most Myrick. The Cartoon Toolbox could

musical background to create part of what can be a full-length cartoon
- designed, directed and produced

sequence. Visual effects are added,

along with audio effects and a

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The draft US guidelines on applying its antitrust laws to anti-competitive practices outside the United States published last October have met with a frosty response from the

Last year the US passed the International Antitrust Enforcement Assistance Act, which aims to to promote international agreements that facilitate US antitrust investigations abroad. But the UK government'a view is that the aggressive approach to the assertion of US antitrust jurisdiction abroad may only undermine efforts to foster international co-operation.

Friction between the US and its trading partners over the extraterritorial application of US regulatory laws is nothing new. And in spite of previous administrations' international antitrust guidelines and sev-eral attempts by the US Supreme Court to clarify the issue, uncertainty remains over the long arm of US regulatory laws.

The US's trading partners therefore had high hopes for the new guidelines. However, when after considerable delay they were even-tually published, it was apparent bopes were going to be

Britain's response begins by reiterating that both countries have a shared interest in ensuring fair and open competition in International business, but goes on to say that the guidelines nevertheless show that significant differences remain between the scope of their antitrust laws. Those differences include both the principles on which the laws are based and the approach to their

The UK's response expresses con-

Guidelines meet a cold front

The UK is unlikely to be alone in its hostility to the US administration's antitrust proposals, says Robert Rice

cern that the guidalines give an impression of increasing willingness by the US Justice Department and the Federal Trade Commission to take unilateral action in international cases. This is all the more worrying when co-operation in enforcing antitrust laws is supposed to be on the increase. It warns there is a risk that this approach by the US "could lead to jurisdictional conflicts which would hinder effective co-operation and eoforcement to the benefit of neither party".

In support of their claims for the widest possible US jurisdiction, US authorities say there is growing recognition of its approach, which is governed by the so-called "effects doctrine". Under this doctrine, first postulated by the US Supreme Court in the 1945 Alcoa case, any conduct having a direct, substantial and reasonably forseeable effect on US commerce is deemed to be sub-

ject to US jurisdiction.

The US authorities cite in the guidelines European competition laws as requiring that anti-competitive conduct under investigation should "affect trade between mem-

Britain disputes this. It says the European Court of Justice has made clear that there is a legitimate jurisdictional claim under European law

conduct in question was "imple-

mented" within the community.
It is only under the US interpretation of the effects doctrine that commercial actions not implemented within US territory are nevertheless regarded as falling within US juris-

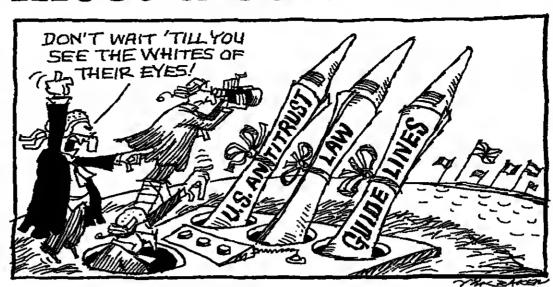
diction, the UK says. Britain is also worried by the assertion of jurisdiction by the US authorities over anti-competitive conduct that restricts US export opportunities, such as agreements ween foreign companies to adopt technical standards incompatible

with those covering US goods.

Britain remarks: "Such jurisdictional claims show US antitrust law being used as an instrument of trade policy to open markets perceived as closed to US exporters. The UK government regards this as an objectionable and inappropriate use of antitrust powers."

On enforcement, the British government welcomes the atatement that the US authorities will take principles of international comity into account. Under these, US law would not be applied extraterritorially to foreign conduct if the balance of foreign interests in exercising jurisdiction outweighed those of the US.

But the UK is concerned that the



guidelines bave introduced the effectiveness of foreign enforcement as a factor when considering under comity principles whether the US should yield jurisdiction.

Britain says this shows that the US will be increasingly prepared to consider unilateral action on the basis of whether foreign governments are prepared to take action or if it perceives that the remedies available in a particular jurisdiction are inadequate. The UK objects to that because it

does not give appropriate recognition in cases falling principally within the jurisdiction of foreign governments to the law and policy of those governments which may particular case. In particular the UK government would object to unilateral action by the US solely on the Justice Department and trade commission's assessment of the adequacy of antitrust enforcement in

other countries. The UK concludes by saying that if the US maintains this approach it is likely to lead to confrontation with other states. It could also lead to use of "blocking statutes" which

prevent such things as the disclosure of documents or information

for use in US proceedings. The UK says the invocation of hlocking legislation by a foreign government would be an important indication of concern and should be regarded as decisive when the US is deciding whether foreign interests in exercising jurisdiction outweigh

its own interests. Britain is unlikely to be alone in its hostile response, and lawyers believe that in the absence of concessions, confrontation rather than co-operation seems the more likely.

Meanwhile international business is no more certain where it stands over the extraterritorial application of US antitrust laws.

However, companies active in the international markets tempted to discount the risk of running foul of US antitrust laws abroad should heed the case of Eskofot v Du Pont, reported in Financial Times Busi-

ness Law Europe.
On January 6 this year, a federal judge in New York ruled that Eskofot, a Danish company doing business in the UK, could sue Du Pont UK in New York under US antitrust laws for alleged anti-competitive conduct in the UK on the basis that it prevented Eskofot exporting goods to the US.

The court said that Eskofot need not show a direct, substantial and reasonably forseeable impact on US commerce as required by the effects doctrine. The judge added that "any anti-competitive effect" on US com-merce was sufficient to establish US jurisdiction where exports to the US were involved.

The court rejected the notion that international comity should require deference to the English court, where Eskofot had earlier sued Du Pont under EU competition rules. The US judge said tha English action would not concern US antitrust law or the effects of the defendant's conduct in the US.

Business Law Europe notes that Du Pont UK conducts no business in the US, has no office, employees, hank accounts, books or records there and is not even licensed to do business in the US. The case is a dramatic illustration of the alacrity with which US courts will apply US antitrust laws ahroad given half a chance.

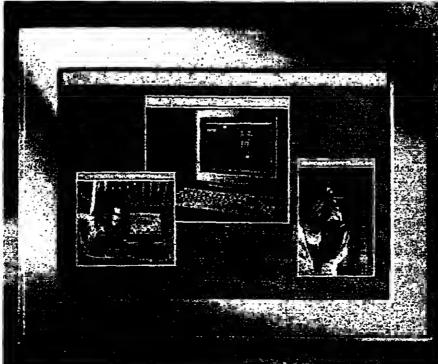
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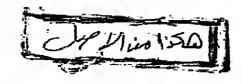
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From page to stage

Writer-director relationships are not always marriages made in heaven. Sarah Hemming reports

t is almost a century since The Seaguli had its first production. Hopelessly out of tune with the playwright's intentions, it was jeered and booed and Chekhov vowed to abandon theatre forever: "If I live 700 years, I will never give a theatre another play," he told a friend. Two years later Stanislavski restaged the play, it was a huge success, and one of the theatre world's most famous working partnerships began - not exactly a serene relationship, but certainly a fruitful one. And Chekhov continued to write plays.

The writer-director relationship is the most crucial in the fragile busi-ness of making theatre. A bad director can maul a good play; a good director can transform a bad one; and a long-term working partnership can foster a mutual trust that brings out the best in both partners. But the way they work together is usually a well kept secret.

The playwright Richard Nelson and director David Jones, who have worked together for 15 years, decided to wrench opeo the rehearsal room doors and come clean about how they do it. Their book Making Plays delves with alarming honesty into every detail of the relationship as the play pro-ceeds from page to stage. It is full of anecdotes and liberally sprinkled with examples of creative friction in rehearsals - most memorably John Dexter goading Arnold Wesker; "Shut up, Arnold or I'll direct the play as you wrote it."

"It's such an intense relationship that it can explode at any time, says Richard Nelson. "David and I have evolved an understanding and a way of pushing each other. We have a good history and that gives the work a depth.'

Richard Eyre, artistic director of the National Theatre, is in no doubt that his long association with David Hare has helped him to keep a nearly all Arthur Miller's plays

proper sense of the collaborative nature of theatre and of his own role as a director. "In a sense, all directors want to be authors or, at least, nuteurs," he says. "You can tell by the way they talk about a classic that they are remaking it and adding their own signature. Well, clearly this is impossible if the living writer is present. You have to accept that the role of the director is to be an interpreter."

But theatrical marriages are not made in heaven. The first stap towards a successful partnership, says David Jones, is finding son one whose creative vision sparks off your own: "You don't choose a mirror image." The playwright Phyllis Nagy agrees - she has now worked twice with the director Steven Pimlott (most recently on The Strip) and feels that he responds to the precise demands of her writing with his own voice. "I think he realises my vision of the plays, but in a way that is complementary. The worst thing for me is to see a production of my work where I think, 'Yes. Yes. I thought of that, Yes.' ... I think there are certain directors for certain playwrights. Just like there are certain people you fall in love with. And too many people get into too much trouble flirting."

Nelson and Jones frequently talk of their relationship as being like a marriage, requiring the same degree of trust, humour and guts to succeed - particularly in the rehearsal room. A few playwrights like to keep their distance from rehearsals; David Hare is passionately in favour of heing there. "As a writer I don't think you can know too much about the theatre. It's a craft, and being there is nine-tenths of the craft. Time spent in rehearsals is never wasted."

For the cast, a writer in rehearsal can clarify meaning in a second. David Thacker, who has directed



Director Richard Eyre with playwright David Hare: each production has to mark a new beginning

(most recently Broken Glass and A View from The Bridge), recalls puzzling over the tone of the phrase "don't bother" in The Price. "Yon could interpret those two words very differently - cynically, or generously. I can imagine the director and actors arguing for weeks about this. But Arthur cleared it up for us instantly. He said, 'It has to be posi-

tive.' It changed the whole meaning

of the play." A pre-nuptial agreement about how rehearsals will be run can be useful, however. Conflicting advice is confusing for actors, and authors holding their heads in their hands, muttering and scribbling feverish notes do not foster confidence. In Richard Nelson's view, it is up

to the writer to prevent conflict. "You should work hand in glove with the director. If a writer starts to compete that's just trouble down the road. You become one more problem, instead of a problem solver. You have to watch, understand and know when to step in. If things are going swimmingly, there is no need to say anything."

Perhaps the most crucial test of a writer-director partnership, however, is the way the partners deal with the changing priorities of mounting the play. "Around the end of the second week of rehearsals, there is usually a formative moment," says David Hare. "For the first week people tell you what a good play it is, then there is this sticky moment when you find out what they really think."

Technical rehearsals are another flashpoint. "The worst period for the writer is the transition to the theatre," says David Jones, "During technical run-throughs I find it very difficult to talk about ideas. The writer can really feel that he has lost the director, while at the same time he feels very vulnerable because other opinions are starting to come in from outside. Your priorities are so different."

"There is a complete conflict of interests at that point," agrees Rich-ard Eyre, "It's an awful time - I see David slumped in the stalls and there's nothing I can do, It's just an act of faith for about three days."

While strong relationships survive the pressure points, there are some drawbacks to frequent collaboration. Familiarity can breed too much respect. David Hare offers an example of what he terms the "fallibility" of a partnership: "We were all aware that Murmuring Judges was the most troublesome play in the trilogy, But I had this conviction that I could hold the audience at the end of one act with a 20 minute naturalistic scene between two actors, Richard didn't think it worked, but he didn't force me to cut it. Then when it went on - it didn't hold the audience's attention. He hadn't pushed me hard enough. That's the only had thing about a partnership. You can respect and trust the other person too much."

The best writer-director mar-riages, say Nelson and Jones, are open ones. Nelson points ont that periods spent with other partners ep the input fresh: "You come back a little more cocky. That's how you prevent staleness and renetition." And no matter how successful your last collaboration and your tong-term partnership, each new production has to mark a new beginning. Hare points out that when he and Eyre walk back into the rehearsal room together next week to begin work on his new play Skylight, although they will build on all their past experience, they will also need to leave it at the door. "In some respects Richard has to approach the play as if he'd never directed this writer before,"

Making Plays is published by Faber and Faber (£7,99). Richard Nelson gives a Platform talk at tha National Theatre on March 10.

Concerts

Boulez in London

Then he first came to London Pierre Boulez immediately drew a young crowd. Going to a pair of concerts on successive nights in the 1970s - a Vaughan Williams symphony followed hy Boulez conducting Mahler's Sixth -I recall the average age of the audience dropping from pensioner to

teenager overnight.

Even now that he is in his 70s, his concerts still draw many young peo-ple. The second half of the Boulez 70th birthday series commenced at the Barbican over the weekend, comprising three more concerts of the 20th-century music that the conductor regards as being of central importance. Given Boulez's reputation, one might have expected one or two representative examples of the latest musical trends, but that is not how the series was planned: with one exception - Messiaen's adventurous Chronochromic - all the non-Boulez works are accepted classics from before the war.

Ravel has long been a Boulez favourite and the concerts on Thursday and Sunday featured two of his orchestral scores, La Tombeau de Couperin and Ma Mère l'Oye. The fastidious sounds conjured hy Ravel, a magician of the orchestra, have always appealed to the equally precise Boulez, though these days

he allows the music more warmth.

The truth of the matter is probahly that Boulez is a better conducthan he was at the beginning and more prepared to allow some freedom of expression from his players and generosity of feeling from himself, Stravinsky's Petrushka in the second programme certainly received a very adult performance— no youthful excesses or flash effects. The London Symphony Orchestra played well for him and there was always something to dis-tinguish this performance well above the average, especially rhythms and textures freshly

observed in almost every bar. Each of the concerts has a star soloist. On Thursday Kyung-Wha Chung joined Boulez and the LSO for a fine performance of Bartók's Second Violin Concerto. It must be tempting to go out to meet Chung's energetic attack on music like this, but Boulez kept within his own parameters, holding firm on the reins so that the energy did not become frenetic.

Sunday's soloist was to have been Mstislav Rostropovich, hut illness forced his replacement at the head of the seven cellos in Boulez's Mcs-sagesquisse by Tim Hugh. This short piece is a mature example of the scientific Boulez also heard in an earlier exploratory phase with Figures, Doubles, Prismes on Thursday. Influences are easier to ascertain there, especially the massive expressive twelve-tone themes of Berg. Thirty years ago they will have held up a signpost to where a forward-looking young composer was going, but what is the direction now? With nothing new on the programme we are left to wonder where Boulez believes the future for orchestral music lies.

Richard Fairman

Final concert at the Barbican on Wednesday: then in Paris at the Théâtre des Champs-Elysees March

Conlon for Paris Opéra

James Conlon has been appointed chief conductor of the Paris Opéra. ousted by Gall last September.



'Birth', 1991, from Susanna Pieratzki's loving, even humorous, 'Parents Series'; it is only as an afterthought that we learn they are survivors of the camps

When discretion is everything

William Packer reviews 'After Auschwitz' at the Barbican

he epigraph to this exhibition, set up conspicuously at its entrance, is the statement made in 1949 by the philosopher, Theodor Adorno, himself a German and a Jew, tha write poetry after Auschwitz is barbaric". That very thought, or something close to it, must surely have crossed the mind of anyone sentient who has read anything of the Final Solution. Hard enough for those whose experience of the Nazi persecution was real and direct: for Primo Levi, for example, who wrote of his sense of guilt at the arbitrary chance of his own survival: for Elie Weisel, another survivor, who asked himself: "How is one to speak

of it? How is one not to speak of it?" For the rest of us. who confront such enormity, at most, only at second-hand, any imaginative intervention, no matter how sincere and well-intentioned, must seem the grossest of impertinences. I wonder what I might have done, had I been similarly moved, or brave enough, to take on the subject. I find myself thinking back to my childhood, to the summers of 1943 and '44 when, as I now know, those trains were running across Europe. "Arbeit Macht Frei". If the work in this exhibition is indeed inadequate and

failure. And against that expecta-tion, not all of it is.

which there is a point to be made the work, discretion is everything. The most successful art allows us to respond in our own way. It is straight-forward, unhistrionic, unsentimental, allusive,

Kitty Klaidman presents large paintings on paper of a clear attic space, all beams, rafters and skyhights, boldly and simply stated only it is the loft she remembers in which she was hidden as a child for the last year of the war, in the farm to which her family escaped in Bratislava. Susanna Pieratzki is a young photographer who apparently offers nothing more than a set of portraits of her parents - wistful and loving, even humorous images. It is only as an after thought that we learn that both are survivors of the camps. Life goes on.

Henning Langenheim shows photographs of concentration camps, mass graves and execution sites as they are now, razed and manicured, and devastating in their civic mundanity, "My camera did not know what to photograph", he says, ... the grass, the sand, the hig

a failure, then it is an honourable sky?" Mick Rooney shows a group of large imaginative figure compositions on the theme of the threat-As is always the case with art in ened Jewish family, and by extension the culture, on the point of Goto, in his photo-montage, quietly elides a photograph of Jews paraded for deportation to Terezin, and a drawing by an inmate, Karel Fleischman, of new arrivals at the camp, with a "Descent from the Cross" by Rembrandt.

> he more theatrical or obvious the work, the less successful it tends to be. Fabio Mauri's huge Western or Wailing Wall, made out of trunks and suitcases piled to the ceiling, is impressive in itself, but seems a shade too trite and public a demonstration, with the heavy-handed connection it makes to the possessions sorted and heaped at the camps when the trains arrived. And Ellen Rothenberg's installation, The Combing Shawl, in reference to the shawl that Anne Frank wore when she combed her bair, is over-elaborate, arch and sentimental for all its manifest earnestness.

She scatters large, crude metal combs at the foot of the long strips of vellum that represent the hair,

● La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by

Simon Boccanegra: by Verdi. A

John Fiore; 8pm; Mar 9, 13

the Diary. "The installations", she tells us, "contain objects which require an alternative reading to the way history, artifacts and docuered...By presenting various kinds of documentation, the distinctions between truth and fiction, denial and falsehood, and our assumptions about history become sharply delineated." It won't do. The tragedy of Anne Frank is trivialised by such pretentiouspess. Such are the dangers in so deli-

each inscribed with its text from

cate and brave a matter, and failure all too predictable. As a child, Magdalena Ahakanowicz suffered directly at Nazi hands, yet she too, with her ranks of empty shells of figures cast ponderously in bronze, makes only the most general point of passive, patient suffering. So it is perhaps too harsh to hreak Miss Rothenberg's butterfly alone upon the wheel. Here even the failures give us much to ponder.

After Auschwitz: responses to the Holocaust in Contemporary Art. Royal Festival Hall, Sonth Bank SE1, until April 17, then on to Manchester, Nottingham, Sunderland and Edinhurgh; supported by 23 corporate and individual sponsors. Hugues Gall, the Opéra's new director, said the 44-year-old American would take up the post in August 1996. Conlon will have fewer responsibilities than his predecessor, Myung-Whun Chung, who was



AMSTERDAM

GALLERIES Tropenmuseum Tel: (020) 558 8200 Nomads in Central Asia: over a 1,000 objects on loan from the Russian Ethnographic Museum in St. Petersburg. A multitude of exhibits ranging from a traditional herdsman's tent to embroidered clothing; to Jul 20

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BALLET Deutsche Oper Tel: (030) 341 9249 Die Zauberflöte: by Mozart. Conducted by Lawrence Foster/ Sebastian Lang-Lessing/Stefan Soltesz and produced by Günter Krämer, 7pm; Mar 10, 13 Les Intermittences du Coeur. ballet in two parts by Saint-Saëns. Choreographer, Roland Petit;

7.30pm; Mar 9 Martha oder Der Markt zu Richmond: by Friedrich von Flowtow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Bauernfeind; 7om; Mar 11

■ FRANKFURT

CONCERTS Alte Oper Tel: (069) 1340 400 Philharmonisches Staatsorchester Halle: with violinist Christian Altenburger. Heribert Beissel conducts Mozart and Beethoven; 8pm: Mar 9

■ LONDON

CONCERTS Barbican Tel: (0171) 638 8891 Opera Gala Night: operatio highlights from the London Symphony Orchestra conducted by Paul Wynne Griffiths, Soloists include soprano Josephine Barstow and tenor Arthur Davies; 8pm; Mar

 Pierre Boulez 70th Birthday Celebration: Boulez conducts the London Symphony Orchestra with violinist Anne-Sophie Mutter and soprano Laura Alkin to play Berg. Stravinsky and his own compositions; 7.30pm; Mar 8. 9 Festival Hall Tel: (0171) 928 8800 Philharmonia Orchestra: with pianist Murray Perahia, Wolfgang Sawallisch conducts Strauss and Schumann; 7.30pm; Mar 11 The London Philharmonic: with cellist Truls Mork and conductor Mariss Jansons plays Shostakovich and Bruckner, 7,30pm; Mar 8 GALLERIES Serpentine Tel: (0171) 402 0343

 Man Ray: exhibition of works by tha celebrated artist; to Mar 12 OPERA/BALLET English National Opera Tel: (0171) 632 8300

 Madama Butterfly: Puccini's opera, originally directed by Graham Vick; 7.30pm; Mar 9, 11 ◆ The Cunning Little Vixen: by Leoš Janáček. Original director, David Pountney; 7.30pm; Mar 8, 10, 13 Royal Opera House Tel: (0171) 340

 Giselle: music by Adolphe Adam. A Royal Ballet production choreographed by Marius Petipa after Jean Coralli and Jules Perrot and produced by Peter Wright; 7.30pm; Mar 7, 8 Salome: by Strauss. A new

production directed by Luc Bondy and conducted by Christoph von Dohnányi: 8pm; Mar 11 (7pm) Swan Lake: by Tchaikovsky. Choreographed by Marius Petipa and Lev Ivanov, production by Anthony Dowell; 7.30pm; Mar 9, 10 THEATRE Apollo Shaftesbury Tel: (0171) 494

5070 In Praise of Love: by Terence Rattigan, Directed by Richard Olivier, this comedy is based on the relationship between Rex Harrison and his wife. With Pater Bowles and Lisa Harrow; 8pm; (Not Sun)

Old Vic Tel: (0171) 928 7616 Conversations with My Father: by Herb Gardener and directed by Alan Ayckbourn. Stars Judd Hirsch who won a Tony award for his role; 7.45pm; from Mar 7 (Not Sun)

■ LOS ANGELES CONCERTS **Dorothy Chandler Pavilinn**

· Fleisher Pleys Ravel: with planist Leon Fleisher and mezzo-soprano Carmella Jones. Lawrence Foster conducts Steiger, Falla and Ravel's Piano Concerto in D": 8pm: Mar 9. 10 (1.30pm), 11, 12 (2.30pm)

■ NEW YORK

CONCERTS Avery Fisher Tel: (212) 875 5030 American Symphony Orchestra: with pianist Robert Taub and soloists Christine Goerke and Marietta Simpson. Leon Botstein conducts Mendelssohn and Syzmanowski; 7.30pm; Mar 10 New York Philharmonic: with baritona Dmitri Hvorostovsky and conductor Valery Gergiev plays an Il Russian programme of Mussorgsky and Rimsky-Korsakov:

7.30pm; Mar 7 New York Philharmonic: Valery Gergiev conducts Liadov, Berlioz and Tchaikovsky; 8pm; Mar 9, 11 • The London Philharmonic: Frank Welser Möst conducts Shostakovich and Strauss; 3pm; Mar 12 The London Philharmonic: plays Mozart, Bartók and Tchaikovsky; 8pm; Mar 13

GALLERIES Guggenheim Tel: (212) 423 3652 Felix Gonzalez-Torres: a comprehensiva survey of the contemporary artist's multi-media art form: to May 10 OPERA/BALLET

Metropolitan Tel: (212) 362 6000 Der Rosenkavalier: by Strauss. Produced by Nathaniel Merrill, conducted by James Levine: 7.30pm; Mar 7, 10 La Bohéme: by Puccini. Produced by Franco Zeffirelli,

conduted by John Fiore;

new production directed by Giancario del Monaco.; 8pm; Mar 11 (1.30pm)THEATRE

8pm; Mar 8, 11

Variety Arts Tel: (212) 239 6200 Death Defying Acts: three ona act plays by Woody Allen, David Mamet and Baina May. Directed by Michael Blakemore and with Linda Lavin, Debra Monk and Paul Guilfoyle; 8pm; (Not Mon)

PARIS CONCERTS

Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24 Barbara Hendricks: soprano is joined by pianist Michael Tilson-Thomas to play Mahler, Wolf and Copland; 3pm; Mar 12

 Jennifer Lamore: the mezzo-soprano with the Orchestral Ensembla of Paris. Jonathan Darlington conducts Rossini and Mozart: 8.30pm; Mar 8 London Symphony Orchestra: with violinist Anne-Sophie Mutter and soprano Laura Aikin. Pierre Boulez conducts Berg and

Stravinsky; 8.30pm; Mar 11 London Symphony Orchestra: Pleme Boulez conducts Ravel. Messalen, Stravinsky and his own 'Messagesquisse'; 8.30pm; Mar 12 OPERA/BALLET Opéra National de Paris, Bastille

Tel: (1) 47 42 57 50 Magnificat: music by Bach, choreography by John Neumeier. Gunther/Rainer Muhlbach directs this production presented by the Ballet of the National Opera of Paris; 7.30pm; Mar 9, 10, 11

■ WASHINGTON CONCERTS

Kennedy Center Tel: (202) 467 4600 Ballet Netional de Marseille: choreographer Roland Petit presents his 1991 hallet based on the style of

several Charlie Chaplin films; 7.30om: from Mar 7 to Mar 12 National Symphony Orchestra: with soprano Jayna West, tenor loseph Harris and baritone Kevin McMillen, James Paul conducts Hugo Alfven, Delius and Orff: 8.30pm; Mar 9, 10 (1.30pm), 11 GALLERIES

Corcoran Tel: (202) 638 3211 Passionate Visions of the American South: Self Taught Artists from 1940 to the Present. Approximately 220 paintings and sculpture by 80 self-taught Southern artists: to May 7 National Gallery Tel: (202) 737 4215 ● The Glory of Venice: exhibition containing works by 18th century

Venetian artists; to Apr 23 OPERA/BALLET Washington Opera Tel: (202) 416 7800

 Tiefland: by Eugen d'Albert. Roman Terleckyj directs a new production by designer Zack Brown. In German with English surtitles: 8pm; Mar 8 (7pm)

THEATRE Studio Theater Tel: (202) 332 3300 Rhinoceros: by lonesco. Joy Zinoman directs the Absurdist's comedy warning of the dangers of conformity; 8pm; from Mar 8 to Apr 9 (Not Mon)

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The launch of new sports cars by Fiat of Italy and the UK's Rover Group at the Geneva motor show today is the latest sign of a drive by carmakers to produce more models - in ever-smaller production runs - to win market

To the dismay of environmentalists, the unveiling of the Fiat Barchetta and Rover's MGF shows the world sports car market may be about to grow rapidly after more than a decade in the doldrums, despite traffic congestion.

There is now a definite trend away from 'A to B' cars towards a desire for something distinctive." says Mr Greg All-port. Rover's hrand manager

The reletively cheap MGF and Barchetta models, each expected to he produced initially in volumes of between 10,000 and 15,000 a year, are only the first of a new wave of open two-seaters. Other manufacturers agree that the numher of motorists wanting "something different" is enough to justify investment

in sports car production. BMW of Germany will start producing an open two-seater roadster, based on its 3-series cars, at its new manufacturing centre at Spartanburg. South Carolina, in September. It plans to make at least 30,000 a year, with most sold in North America, the world's largest market for sporting cars.

 Mercedes-Benz, BMW's German rival, is expected to start producing an open two-seater for a similar market within two years. The roadster is part of a diversification hy Mercedes into new niches, including a small city car in a joint venture with Swatch of Switzerland. Mr Helmut Werner, Mercedes chief executive, says the company's customers want non-mainstream saloon cars and Mercedes must respond.

 Porsche, too, is undergoing a change, aimed at remedying its serious mistakes of the 1980s, when it profited from an eight-year growth market but failed adequately to invest in new products; sales in the US fell from more than 30,000 in 1987 to just over 4,000 in 1992. The 986 Boxster model Porsche will launch in 1997 will be modestly priced, and is aimed at doubling Porsche's total output to 30,000-plus a year.

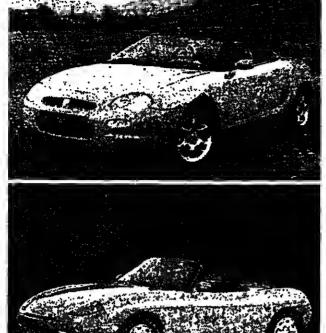
Ford, Renault and the Peug-

eot/Citroen group are among the volume car makers considering two-seater projects.

Apart from the Barchetta, Flat will also launch new conpe and open-top Alfa-Ro-

Roll down the sunroof

John Griffiths on growth in the international sports car market



Sporting choice: Rover's MGF (top) and the Fiat Barchetta

THE HAWKER 1000.

NOW DEPARTING FROM SMALLER, SOMEWHAT

MORE CHALLENGING RUNWAYS.

to the sports car market after

1980, when the then financially troubled BL halted production

of the MGB and closed the MG

Rover was not alone in aban-

doning two-seaters; manufac-turing methods of the period

required production runs of

100,000 cars a year to ensure

reasonable economies of scale,

and with recession starting to

bite in the early 1980s few man-

ufacturers were investing in

"fringe" products. Instead, says Mr Allport, "most of the market went into

bot hatches, coupés and cabrios," - relatively easy and

cheap-to-huild variants on mainstream model ranges.

But the steep fall in costs arising from radical changes in

car design and manufacturing

in the past decade - including

computerised simultaneous design and engineering tech-

Thanks to the Hawker's sew kinb-hot perfor-

merce, vos cao take elf frem Telece. Mexice, and fiv

nen-step to Waskingten, D.C. with eight pessengers.

Small eirports all ever the world are new accessible.

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ness jet that can take off and land coywhore. Woll,

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factory at Ahingdon.

meo Spyder models leter this year. joining a Fiat coupé unveiled in 1994, Fiat hopes the new models will give it at least

50,000 extra sales a year. But it is the higher profit margins, rather than the increased volumes, which attract the manufacturers. Fiat expects sports car profits to offset some of the fierce competitive pressures in the mainstream European car market, where Fiat's share of sales has been declining.

The Barchetta and the MG the first new MG for 15 years will be competing for a share of a European sports car sector estimated at between 3 and 3.5 per cent of the new car market. or around 400,000 units in last year's 12m market, according to Rover's Mr Allport.

Before committing itself to the MGF project Rover researched what had happened

Excose the exaggeration, but we're justifiably

preod of the Hawkar 1900's aebatectially improved

take-off perfermance. Since we acquired the Howker

progrem, we've discevered this sircraft is capeble

ef for more thee its eriginal cartification indicetes.

te San Fraeciace. lo 83°F weether, the Hewker 1000

ces take off with 2,024 poecds more toel than before.

Whick mezon the lourgey to San Francisco, with gight

Which translates ioto 522 am of additional range."

Consider a trip tram Chicage's Palwaukea Airport

automated pressing and weld-ing processes - has slashed the volumes at which car projects can hreak even.
"These techniques have allowed the MG project to be

niques, and highly flexible

designed for viability at much, much less than the 15,000-20,000 units everyone expects us to be producing," says Mr Terry Whitmore, chief executive of Mayflower's automative operations, the specialist automotive engineering group which is Rover's partner in the project. Meyflower's motor panels subsidiary has invested £34.2m to design, develop and supplying the complete MGF body to Rover in return for a share of profits on sales.

t was Mazda, in 1989. which launched the first of the modern generation of "affordable" sports car with the cheap MX-5 two-seathe MX.5 has now topped 300,000, and it is expected to undergo a major "re-vamp" to deal with the new competition. Not surprisingly. Rover has been criticised for allowing Mazda to seize a global market once dominated by MG; more than 510,000 MGBs were built before the factory closed. Rover, Fiat and others once

again want to lay claim to a share of this market, and think the market itself can be expanded if sufficiently attractive new products are developed. Rover maintains that capturing even 3 per cent of the sporting car market within Europe would allow the MGF project to break even at around

10,000 units a year. The MGF is also to be sold in Japan and other markets outside Europe, although there are no declared plans to take the car into North America. The same is true of the Barchetta and Fiat's upcoming Alfa Romeo models. North America once absorbed 70 per cent of the output of the old MG fectory, although both Rover and Flat suffered from consumer criticisms and faltering sales in the past and even-

tually withdrew altogether. But Mr Bernd Pischetsrieder BMW's chairman, has already indicated that he wants Rover back in the North American market hy the end of the decade. The size and rapid growth of the US market nearly 600,000 sports cars, including home-grown prod-ucts such as Ford's Mustang and Chevrolet's Camaro, were sold last year - means it will probably only be a matter of time before the MGF takes to

North American roads.

Europa: Claus-Dieter Ehlermann

Case for a cartel body



independent European office be estab-lished? It is an in theory at least. At pres-

ent, almost all enforcement of EU competition rules is in the hands of the European Commission, subject to appeal to the European courts. Reforming this system is not something to be taken lightly.

But there are a number of arguments in favour of making the change. First, it would help to allay some people's suspi-cions that the European Commission makes its decisions only partly on strict competi-

There is concern that deci-sions made by a body which is composed of 20 politicians from 15 countries will inevitably be based partly on other fectors, such as general industrial policy and old-fashioned political horsetrading.

Second, an independent cartel office might also help to allay suspicions that the commission does not disclose its real reasons for ruling against

In my experience, the commission has always reached its decisions strictly on competition policy grounds. But this does not negate the validity of arguments in favour of an independent office. Over the past decade we have had strong commissions, a strong president, and strong competition commissioners. The new commission is no exception. But who knows what the future holds?

Why not then take the plunge and set up an indepen-dent office in 1996? The intergovernmental conference will be able to make the necessary change to the Treaty of Rome. Before it does, however, there are important disedvantages that need to be taken into

The first of these is deciding what is meant by "independent". Most people envisage a UK-style Monopolies and Mergers Commission, or a Germanstyle Bundeskartellamt: e body headed by a strong individual, independent of government,

which makes

decisions or recommenda. tions that can only he overturned under the glare of This type of

e European scale, however, if there were a Europe-wide consensus on the type of competition policy that is needed While rapid progress is being made, we do not yet have any reel consensus. Witness, for example, the uproar in France when the commission prohibited the takeover of De Havilland, the Canadian eircraft. maker. hy France's Aerospatiale, Or the opinion of Mr Dieter Wolf, head of the

Until a consensus is reached. it is unrealistic to expect a European cartel office to he hased on existing national models. It is more likely that it

Bundeskartellemt, that the

commission is "soft" on merg-

ber states, which would reach decisions on a case-hy-case basis. It is debatable whether such a structure would be noticeably more independent than the one we have now.

Another question that needs to be thought through is the possible impact of reform on EU merger rules - one of the strengths of which is that they are based strictly on competition grounds. When the merger regulation was being drawn up in the lete 1980s, there was an important dehete hetween some memher

states which Conditions are not argued that e merger should right for an be vetted only independent cartel on whether it office, but trends resulted in a dominant mar-

are moving in the ket position and structure could right direction which called only be expecfor e more gen-eral "community interest" test.

The first view prevailed. But if an independent office were set up, some form of political veto would be mevitable. Even in Germany, the Bundeskartellamt does not have the final word. Decisions made by an independent agency would probably have to be confirmed or rejected by the commission. And the commission's terms of reference would include, as in all other merger control systems in Europe, the public or community interest. This would, in effect, mean the introduction of noncompetition-based considerations into the decision-making process - the very thing that

advocates of an independent

would be headed by a panel of office want to avoid. representatives from the mem-Finally, removing the competition directorate - DG IV from the commission, would have a price. DG IV is at present consulted on all major leg-islative projects and promotes free-market thinking 1 for one would be sorry if this input

were lost. in summary, conditions are not yet right for an independent cartel office to start opereting, although trends are moving in the right direction.

The right course of action would be for next year's IGC to decide in principle that an independent office responsible for antitrust matters, including mergers, and perhaps some regulatory functions, can be

But the decision on when the office would start functioning should be left for a future decision to be taken jointly by the European Council and European Parliament.

in the meantime, why not set up an independent body to comment - after the event on decisions made by the com-

This body could also play a role in advising on policy mat-ters and, prior to its adoption, on new legislation. Its views and reports should, of course, be public. The body should be giveu complete and open access to all documents in the commission's possession and should be hound by the same rules as the commission regarding confidentiality. This is a move we could, and should, make today.

The author is director-general for competition of the European

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine').

Translation may be available for letters wrineo in the main international languages.

support social advances

From Mr Bill Jordan. Sir, I would have liked to share the cautious optimism shown by Edward Luce, your Manila correspondent ("Ramos in push to lure investment" March 2) over Filipino President Fidel Ramos' claimed intention to make democracy the key to the country's efforts to become an Asian "tiger" within five years.

Unfortunately, my enthusiism has to be tempered following the recent visit to Manila by a delegation from the International Confederation of Free Trade Unions.

For the 200,000 imostly female) workers in Filipino free trade zones, unfair dismissals, forced overtime and poor pay and working conditions are the rule rather than the exception. They spend 12 to 14 hours a day in sweatshops for a daily salary of 138 pesos

Women are asked upon recruitment to sign an affidavit authorising the employers to fire them if they get married. Employers avoid paying social security contributions, and most of them Ignore health, safety and environment regula-

Local politicians, acting in collusion with employers, prevent workers from organising in trade unions. Labour groups in the Philippines have documented 72 cases of trade union rights violations affecting 9:22 victims in 1994. These include assassination attempts, arrests and disappearances.

This situation has led local unions to call on the government to reject "growth models" hased on sub-minimum weges and a union-free environment and to agree to

hecoming a tiger, but one, hopefully, with its claws drawn

Ramos must Look to Bangladesh for new chief of the World Bank

From Mr Edward F Feighan. Sir. As a former member of the US House of Representatives who served on the foreign affairs committee. I read with interest your editorial. "A pres-ident for the World Bank" (March 1), in which you suggest a new vision for selecting the next president of the World Bank. You say "the right person to articulate [the bank's] purpose is unlikely to be a manager, however gifted, or a manipulator of financial markets, however creative ... The bank's aim is development. Its president must define what that means and, no less,

I caught my first glimpse of nearly a decade ago. At that the milk, busk rice and sell the

explain why it matters."

time, I was a lead sponsor, along with Republican Ben Gilman, the current chair of the House International Relations Committee, on legislation modelled after a different kind of World Bank - the Grameen Bank in Bangladesh.

its founder and managing director, Muhammad Yunus, has crafted an institution that has grown from one borrower 18 years ago, who used a minuscule loan to free herself from a money-lender and catapult her income from two cents institution that lends \$1.5m a day to the poorest women in Bangladesh. The current 2m borrowers (only 6 per cent are men) huy milk cows and sell

of self-employment ventures with loans that everage \$100 each and have a default rate of just 2 per cent. There is no person who has a hetter understanding than

rice, and do all other manner

Muhammad Yunus of how to use banking to eradicate poverty. There is no person who has better demonstrated what we must do to solve the problems before this week's UN summit on social development - poverty, employment, and social integration. Edward F Feighan Climaco, Climaco, Seminat

Lefkowitz & Garofoli, Ninth floor, the Halle Building, 1228 Euclid Avenue, Ohio 44115.

Barings: questions of recruitment and control

From Mr G. Avison. Sir, In the wake of the Barings collapse the banks have predictably focused their attention on characterising this as an isolated incident checks and balances hreached, systematic fraud and so on.

This totally ignores the underlying problem which is that the banks recruit poorly educated chanrers whose only required qualification is personal greed and then encourage them to gamble their customers' and shareholders' money in a game that they have invented solely for the purpose. The so-called "sophisticated financiel instruments" of derivatives are nothing of the sort and have nothing to do with serving the needs of

commerce and industry. Why do they do it? Because gambling, if you win, heats working for a living - how else is a 28-year-old going to get paid £200,000 a year. The banks, of course, take their share. Isn't it risky? Ohviously, hut insider knowledge helps the odds, they have always on halance come out ahead or been bailed out or been able to put charges up or call in loans to companies struggling to earn a living the hard way.

Who loses? In the long run we all do. Not just financially. hut because once again we have confirmation that greed and incompetence rule in our financial institutions and that

Approach for currency board views unsolicited

e decent education is a positive bandicap in the UK. Another step down the long road of decline. Hey ho! G. Avison.

The Technology Partnership, Melbourn Science Park. Cambridge Road, Melbourn, Royston, Hertfordshire SG8 6EE, UK

From Mr Alex Kan. Sir, It would appear that, once again, the inability of an organisation to understand and control its own business has been blamed on the existence of derivative products. The contracts traded were, in fact, as transparent as any transaction which may be traded. Whatever internal controls were in place must have been extremely deficient, and one would essume those charged with implementing them were not vested with the proper

authority. There is a trend among financial organisations, certainly in the UK and Europe. to place a much greater emphasis on the controlling role of operations and support areas, and this complements the direction set by the regulatory authorities. The dinosaur ettitude - where a trader says do it and it is done without question - must become a thing of the past. Alex Kan.

15 St Andrew's Place. Shenfield. Esser CM15 8HH, UK

Canada's budget a gamble

From Mr Michael Taube. Sir, The evaluation of Canada's recent hudget in your editorial, "Canada's deht reprieve" (March 1), gives a strong account of its many features.

Health July

Even as a rightwinger and a memher of the Progressive Conservatives in Canada, I must give due credit to some of the proposals of Mr Paul Martin. the finance minister. This budget will eppease many of the warring factions within our country. The "cut-andslash" technique of 45,000 public sector jobs will help relieve Canada's hloated bureaucracy. By leaving the already high personal income tax rate as is, prime minister Jean Chretien will win many more friends. Martin's conservative assumption on the government bond rate to aid lower gross domes tic product target numbers hy 1996-1997 seems plausible.

Obviously, the budget was hardly perfect. I was one of many who were hoping for cuts to our welfare system. Unlike what your editorial states. I believe there are many faults within Canada's social services, especially within welfare. There are too many people abusing the system. Martin was probably forced to back down from reforming the welfare system hy special interest groups. For me, it was a typicai Liberal manoeuvre, hut a shame nonetheless

I must give the devil his due - the Liberals took a gamble on a tough budget, and won. The issue of Quebec, with a referendum possibly coming this June, is still up in the air. However, with this committed hudget, there may now be some bope for those in Canada who believe in national unity. Michael Toube. Mecklenburgh Square, London WC1N 2AB, UK

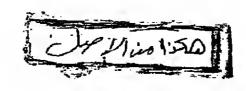
From Prof Steve H Hanke. unsolicited telefax from the Bank of Mexico. It stated: "At

Sir, Mr Ariel Buira, doputy governor of the Bank of Mexico, asserts (Letters, March 3) that I was motivated to write to the Financial Times (Letters, February 21) because I am a self-promoter and upset over not being awarded a con-sultancy by the bank. His vendate my conclusion that some

Mexican officials are "mislnformed and confused". On January 24, 1 received an the central bank we are aware that you are one of the foremost experts on this subject

Steve H Hanke professor of applied economics.
The Johns Hopkins University. (currency boards) and we have heen studying your work. At this stage we would tike to explore the conditions under

which you would be available for consultations with us." This hardly qualifies as self-promotion. Furthermore, as far as I am aware, these explorations are still under way.

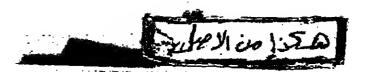


include social clauses in international trade agree-If Mr Ramos were to support the social clause, it would he a tangible sign that he is indeed serious about bis country

Bill Jordan. Free Trade Unions,

general secretary International Confederation of Bd Emile Jacqmain 155.

Brussels,



FINANCIAL TIMES

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Tuesday March 7 1995

All change in the EKM

The US dollar catches a cold and the ERM sneezes. But this is nelther a crisis for the new, more flexible ERM, nor a grave defeat for Spain and Portugal, nor even a salutary warning about prospects for European Monetary Union. It merely demonstrates that the flexibility mherent in an adjustablepeg exchange rate mechanism such as the ERM will be used. The questions now are whether these difficulties will spread to countries in a tighter relationship with the D-Mark, particularly the French franc, and how Spain and Portugal themselves should respond.

In the wake of yesterday's 7 per cent devaluation of the central rate of the peseta within the ERM. Mr Kenneth Clarke, UK chancellor of the exchequer, had the cheek to warn the Spanish that unless they followed proper economic policies, devaluation would continue, as it has for the peseta since 1992. This was vainglorious, with sterling touching an all-time low of DM 3.31 - although Mr Clarke could feel pleased that sterling's 16 per cent devaluation from its pre-September 1992 central rate is significantly smaller than the peseta's cumulative depreciation of 23.5 per cent.

Currencies squeezed

Dollar declines against the D-Mark always put pressure on European currencies. Weakness egainst the D-Mark is, in fact, affecting all major European currencies. The D-Mark yesterday touched L1,215, making the devaluation of the Italian lira from its pre-September 1992 central rate 38 per cent. The French franc is the only major European currency not to have been formally devalued against the D-Mark in the 1990s, but it fell yesterday to an all-time low of 3.55 to the D-Mark, 5.5 per cent below the central rate, although well within the wide

band of 15 per cent.

The wide-band ERM is showing its value. A degree of flexibility in French monetary policy has been allowed by a larger exchange rate adjustment than would have been been possible within the old 2.25 per cent hand. For the peseta, too, the wide band has had advantages, since the 7 per cent adjustment of its central rate falls within the 15 per cent band. This allows a large exchange-rate

1.00

lators the one-way bets of the narrow-band regime

The system itself is working, But what is to be made of the devaluations? Certainly, they are no panaceas, as Mr Clarke noted. There is a danger that depreclation will exacerbate inflation, par ticularly in Spain, where the annual rate of consumer price inflation is stuck over 4 per cent. notwithstanding an unemployment rate above 24 per cent. Portugal, by contrast has managed to lower its rate of inflation sharply.

Deficit promises

The Spanish government, which sought the adjustment of the peseta - to the understandable annoyance of the Portuguese, who had no wish to follow suit - has promised to keep the budget defi-5.9 per cent of GDP. This is proba bly too large, although the govern ment has also committed itself to

a target of 4.4 per cent next year. Past devaluations have boosted the Spanish economy and facili-tated adjustment of the external accounts. Year-on-year increases in export volume were running as high as 20 per cent in the first half of last year, faster than from Italy. After the recession in 1992 and 1993, economic growth has also been picking up; to reach an annual rate of 2.35 per cent in the year to the third quarter of last

The Spanish aim is low inflation, rapid growth and a reduction in unemployment, Provided the right complementary policies are put into effect, this may be achievable. But it has certainly not been achieved hitherto and now looks rather remote. Spain is more likely to achieve faster growth, at the expense of higher inflation, which would render an early entry into Emu rather implausible.

These events do underline the wisdom of the modifications to the ERM in 1993. They also show how much work Spain and, to a lesser degree, Portugal need to do if they are to be allowed into Emu. But a single currency is a fundamentally different beast from the ERM in any of its incarnations. These events do not change that. It remains a leap into the dark. When that leap will be made, by whom and what life might be like on the other side remain as uncer-

Finding the truth about Barings

The search for scapegoats is rarely edifying, and the Barings disaster is no exception to this rule. The bank blames Mr Nick Leeson, its "rogue trader", Mrs Leeson blames her husband's bosses. Mr Peter Baring blames nameless conspirators. Singapore blames the Barings head office. And the Labour party is doing its best to blame the Bank of England and the Bank's political master, Mr Kenneth Clarke, the chancellor.

On the face of it, the Labour case is weak. The Bank was right to let Barings go bust. Its judgment has been vindicated by the small market impact of the crash and the satisfactory nature of the rescue by ING Bank, which has protected depositors and jobs, but penalised shareholders.

The primary responsibility for the astonishing weakness of controls within Barings lies with the bank's senior managers. The Bank of England will doubtless consider whether they remain "fit and proper persons" to exercise bank-

ing responsibilities.
But the weakness of controls raises a more general question about the crisis. When it was portrayed as a very rapid build-up of ill-judged derivatives positions by a single trader, it was hard to see how banking supervisors could have caught it in time.

Now it is clear that internal complaints about the weakness of controls go back months, if not years, that a very large proportion of Barings' capital was transferred to meet the obligations Mr Leeson was incurring and that supervisors elsewhere knew things ebout the risks Barings was running that the Bank of England did not.

Supervision questioned

As Labour says, these points raise a question over the adequacy of the Bank of England's supervision. Is it enough, therefore, for the inquiry into that issue to be handled by the Board of Banking Supervision, as Mr Clarke

Labour calls this an in-house, not an independent inquiry; Mr Clarke says it's as independent as can be. Labour's case is strengthened by three aspects of the board. It was set up to advise the Bank on its supervisory functions, not to carry out investigations. At the moment of its creation, the man prove them wrong.

who is now the minister for the City, Mr Anthony Nelson, expressed the fear that it might become a "cosy luncheon club", a cosmetic exercise concealing business as usual. It will not carry out the investigation itself, but has delegated the task to a Bank employee, Mr Ian Watt, head of the special investigations unit.

Probe's merits

Still, there are arguments for the way the inquiry has been conceived. Mr Watt, a recent appoin tee who reports directly to the governor of the Bank, is indepen-dent of the banking supervision department. He will draw on specialist expertise from the accountants Arthur Andersen, from the law firm Norton Rose, and from J.P. Morgan's derivatives team.

If the independent members of the board dislike the report be drafts, or the response to it by the Bank, they can take their views to the chancellor. The report itself will be published.

Above all, the report is likely to be completed quickly. The Bingham report, a full-scale inquiry into the collapse of BCCI by Lord Justice Bingham, took well over a year. The Barings report, says the Bank, is "urgent". Let us hope that urgency is calibrated to the normal human metabolism, rather than that of central bankers or civil servants.

For this to be a satisfactory approach to the inquiry, then, a few criteria must be met. First the report must be written to illuminate any failures of supervision, rather than conceal them. Second. it must be aimed at drawing practical, specific lessons for the future, rather than recommending vague improvements in communi-

Third, the independent members of the board must exercise to the full their right to pursue embarrassing or difficult questions, taking them to the chancellor and to the public if necessary.

If these provisos are met, the proposed inquiry is, on balance, a satisfactory way to proceed. The concerns expressed about the nature of the inquiry and - in an earlier existence - by Mr Nelson about the board are perfectly valid ones, bowever. It is up to the investigators, and the board, to

The world inclines to socialism because the great majority of people want it. They want it because they believe that socialism will guarantee a higher standard of welfare. The loss of this conviction would signify the end of socialism - Ludwig von Mises, Socialism, 1922

be world was warned by this great economist of the Austrian liberal tradition. But the socialist experiment was taken to its bitter end in the planned economies of the former Soviet empire. Now those on whom that experiment was made are attempting to construct its opposite.

The spotlight is shifting this year to the two giants of the post-communist world: Russia and Ukraine. Mr Victor Chernomyrdin, Russia's prime minister, told the Financial Times last week that 1995 is the "turning point", the year when the troubled economy must be stabilised. Russia is also poised to reach an agreement with the International Monetary Fund for a \$6.4hn (£4hn) standby loan.

Similar urgency is being expressed by dilatory Ukraine, which signed a \$1.8bn standby agreement with the IMF only last week. The deal signals a commitment by the government of president Leonid Kuchma to reform. Under negotiation for almost five months, it bolds the country to tight macroeconomic policies and price liberalisation.

These reforms are set to follow the peth taken five years ago by Poland, the largest post-communist country of eastern Europe. The launching a little over five

years ago of the Balcerowicz plan, the "shock therapy" for Poland formulated under the direction of Mr Leszek Balrerowicz, deputy prime minister and finance minister, marked the start of serious reform in former communist countries. Already in the Outline Economic Programme of October 1989, the new Solidarity government, under Mr Tadeusz Mazowiecki, had set out both its aim and the challenge it confronted. "The objective," it said, "is to set up a market system akin to the one found in the industrially developed countries. This will have

ical actions. "We are embarking on the reshaping effort under extremely adverse conditions. The economy is in ever more tenuous disequilibrium ... The ecological disaster, the bousing crists, the foreign debt burden, the emigration by the most active part of the young generation - these have been swelling for years. In recent months, additional crisis symptoms surfaced or mounted in force: a rapid price

climb linked to a wage explosion,

the flight from the zloty, the grow-

to be achieved quickly, through rad-

ing deficit of the state budget and also a drop in output. The Baicerowicz plan was a venture into the unknown, undertaken in inauspicious circumstances and as it would turn out, with modest western assistance. Its aim was to implant, as swiftly as practicable, the constituent elements of a mar-

How does this effort look five years later? The broad answer is that it has worked. This means neither that it succeeded perfectly, nor that mistakes were avoided. But Poland has come a long way from the time when shops were bare and some wondered whether it could even feed itself.

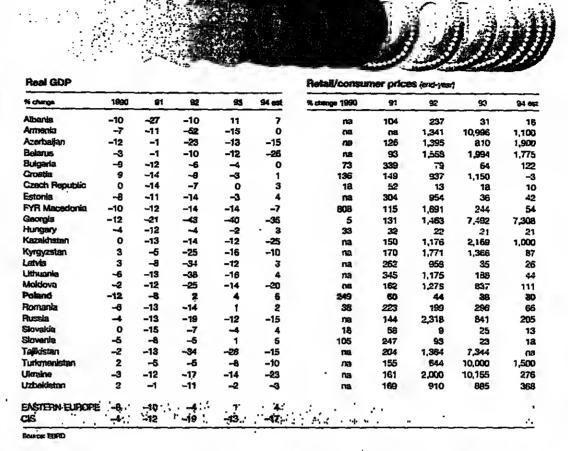
These years have provided four broad lessons on the transition from the planned economy to the market: • The notion of "shock therapy" gives a misleading impression of instantaneity, but there is a strong case for decisive action, particularly over stabilisation and lib-

Reform can be pursued successfully even amid popular dissatisfaction, provided elites recognise the absence of credible alternatives. • The core of the reform is creating the conditions for the growth of the market-oriented private sector. Mistakes made by reformers are a less important explanation for the difficulties than the dismal legacy of communism.

The experience of Poland has mapped a path to reform for Russia and Ukraine, say Martin Wolf and Chrystia Freeland

The long day's journey to market

The painful path from communism to capitalism



There are four aspects of the transition to the market stabilisation. liberalisation (mainly of prices and trade), institutional restructuring and privatisation.

relatively rapid movements towards most cases, by more modest falls or earlier recovery in output".

Shock therapy may be defined, in

Professor Balcerowicz, in a jointly authored paper, calls this schema a "two-stage" transition, the first being towards "marketisation", the second being movement towards an economy dominated by private own-

Why should moving as rapidly as feasible matter? One reason is that the breakdown of communism offered a possibly brief opportunity to make radical changes, while the old bureaucratic ebte was discred-

changes were needed to make the shift to the market economy credible. Yet another is that early stabilisetion and liberalisation forced state enterprises to be more efficient and created the environment needed for the growth of efficient If the first lesson is that momen-

reformers feared immediately after the fall of the Berlin Wall. Then, there were deep worries about a public backlash if adjustment The transition report from the proved too painful. That backlash appears to have occurred: Poland,

European Bank for Reconstruction and Development raises questions about the pace at which transition can be managed, but also states that "it has certainly been learned from the range of countries' experiences that those that pressed ahead more radically on all four fronts have been rewarded not only with market economy, but also, in

practice, as immediate stabilisation (where needed), rapid moves towards price and trade liberalisation (while avoiding wholesale bankruptcy of enterprises) and a firm impetus towards institutional reform.

Another is that early and visible

alised. Although Poland and Hungary face levels of unemployment unthinkable under communism, there has been no popular revolt. Moreover, the newly elected governments in Warsaw and Budapest

tum had to be imperted from the start, the second is that popular

opposition mattered less than

Hungary and Lithuania have all

reinstated former communists in

office. Estonia seems likely to do so, Even so, the nightmare of eastern European reformers has not materi-

attempts at reform under the communists led to declining output and huge fiscal deficits

In several countries,

may prove socialist in name and background only. The lesson is that it is elite opinion which matters most, although it is important that there be a reasonably large group of beneficiaries, something that the privatisation of small enterprises

has created in many countries. This evidence ought to embolden reformers in Russia and Ukraine. Mr Chernomyrdin's recent words reflect a growing conviction within tha Russian elite that there is indeed no alternative, e realisation that may now allow the government to persist with reform. The same should also be true for Ukraine, since it had a still more disastrous experience than Russia with nonreform and non-stabilisation under the Kravchuk regime. The third lesson of eastern

Europe has been that emergence of a new and dynamic private sector is more important than privatisation of the old state enterprises, so long as the latter are forced to adapt by tough fiscal discipline and price lib-

This conclusion may appear pecu-liar, since the single greatest differ-ence between communism and capitalism is private property. Yet comparing the experiences of Poland, Hungary, the Czech Republic and Russia suggests that privatisation is no panacea.

Of the four countries, Russia has embarked on the most ambitious mass privatisation programme. But because privatisation in Russia occurred without constraining the subsidies to formerly state-owned enterprises, without the comprehensive liberalisation that would allow the emergence of a competitive private sector and without the creation of a new legal order, it has not transformed the country's economy. Instead, as the Hungarian econo-

mist Janos Kornai observed in the 1970s, drawing on Hungary's effort to create a half-way bouse between communism and capitalism, nominally privatised enterprises in Russie are still governed by the "soft budget constraint". In practice this means that political connections - and the ability to obtain subsidies have more bearing on a factory's success than the quality of its man-

In Russia, this behaviour sebotaged the government's efforts to stick to fiscal and monetary auster ity last year. The government's stab at austerity meant that factories did not have the financial resources to produce unwanted goods in accustomed quantities.

Russian factory managers paid this message no beed. Short of money, they accumulated massive inter-factory debt, all the while counting on the government to bail them out. Last summer and autumn, this is what the government did, by issuing soft credits that pushed up inflation and played a major role in the rouble's cata-

strophic fall last autumn. By contrast, Poland and Hungary have yet to launch mass privatisa tion programmes. But, because they bave liberalised and imposed hard budget constraints on state enterprises, greenfield private concerns have emerged as competitors and state enterprises have been forced to play according to the rules of the market. Although crash privatisation in both Hungary and Poland is minuscule by comparison with Russia, the genuinely private sector in

these two countries is larger. The last lesson, not quite as obvious five years ago as today, is the dismal legacy of communism itself They made a desert and called it socialism. Huge factories were thrown up. Millions of tons of steel and cement were produced. But all this contributed little or nothing to the welfare of the population. Underneath the economic failure lay the decayed and corrupted bureaucracies; the cynical populations; the corruption of morality in the name of expediency; the pollu-tion; the degradation of law; and the absence of rights.

comparison by Professor Jeffrey Sachs of Harvard of the post-war fate of Poland and Spain, two Catholic countries on the edges of Europe, illustrates the

In 1955, Poland's income per head was a little higher than Spain's. By 1988 it was a quarter of the Spanish level. Yet Poland's hypertrophied industry produced more electricity and almost 50 per cent more steel than Spain's. Similarly, before the second world war Czecboslovakia was one of the most advanced countries in Europe, By 1992, bowever, its real income per bead (at pur-chasing power parity) of \$7,160 was a mere 40 per cent of Austrian lev-

The tainted social, political, economic and ecological legacy makes successful reform difficult. But the final stage of the rake's progress of state socialism was also what made it urgent.

in several countries, including Russia itself, attempts at reform under the communists led to declining output and buge fiscal deficits. High inflation and collapsing output did not follow reform, but normally preceded it.

While the direction to be taken is clear and justifiable, mistakes have, inevitably, been made. Mr Richard Portes, director of the London-based Centre for Economic Policy Research, lists many in a recent paper: initial forecasts for output were too optimistic; problems posed by a bankrupt banking system were inadequately addressed; devaluations were often excessive and monetary policy sometimes too tight; tainty and discouraged investment; privatisation schemes were too complex: the canacities of certain state enterprises were underestimated; arrangements for trade among the socialist countries were dissolved too swiftly; and there was inadequate attention to reducing external

Nonetheless, the courage of that first reforming Polish government has been rewarded. Anyone who seriously doubts this need only take a glance at conditions further east. The peaceful collapse of communism is the most beartening event of this century. If Russia and Ukraine are to enjoy its fruits, they must follow Poland's example.

European Bank for Reconstruction and Development, Transition Report, October 1994. Leszek Balcerowicz and Alan Gelo, Macropolicies in Transition to a Market Economy: a Three-Year Perspective, Annual Bank Conference on Development Economics, World Bank, April 29-25: 1994. * Jeffrey Sachs, Poland's Jump to the Market Rootomy (Cambridge, Mass and London, England: The MIT Press, 1993). * Richard Portes, Transformation Traps, Economic Journal, September 1994.

OBSERVER

Taxing times

■ The French taxman is a rather more accommodating soul than other nations' bogeymen. In a country rich in every conceivable tax loophole, there are obviously advantages in making the odd concession to those prepared actually to admit to some sort of fiscal liability.

This year, the official deadline for

filing the annual tax form - end February - has been extended, twice. So was midnight Sunday really l'heure limite?

The hand of 20,000 tax inspectors, who normally only answer questions two mornings a week, had been making themselves available daily. Some were even spotted manning stands in shopping centres, while an enterprising tax bureau chief in Strasbourg had set up a "drive-in" service.

No such facilities in Lyon, bowever. Local last-minuters arriving at the tax office at witching hour found to their borror that the letter box was behind other, locked doors. So a third extension has been granted.

Confidence vote?

■ No hard feelings towards competitors, apparently, at Asea Brown Boveri, Europe's largest electrical engineering company. The UK press party for tomorrow's annual results shindig in Paris leaves London's Waterloo station today on a £24m Eurostar train built by arch rival GEC Alsthorn. Or perhaps ABB is hoping the train will break down ..?

Gentleman first One undoubted winner in the

Barings crisis is Cazenove & Co. Its football team beat Crédit Lyonnais recently after e penalty shootout and was due to face Baring Securities in the quarter final of the Stock Exchange's Rossage cup. However Barings pulled its team out last week with the result that Cazenove is through to the semi-finals. Observer contacted Baring Securities to see if it planned to appeal the decision now that it had been bailed out by ING, but its skipper could not be found. Sounds familiar.

Wellcome diversion

■ It's make or break week for Wellcome - and Observer is not talking about the Glaxo bid. This morning Wellcome has to get shareholder approval at an extraordinary general meeting to rectify a series of mistakes.

Apparently, the interim accounts for 1989, 1990 and 1994 were not filed with the registrar of companies. As a result, the interim dividends paid in 1989, 1990 and 1994 were wholly

or partially paid in technical infringement of the Companies Act. Wellcome has been advised that there could be claims made against its directors who participated in the relevant board meetings.

A minor oversight it seems, and

no one seems to be very upset about it. Even so it is highly unusual, and is the sort of irritant thet Wellcome could do without as it scans the horizon for a white knight to rescue it from Glaxo's clutches.

Dutch zap

₩ While ABN Amro was competing in vain last week to be chosen as Barings' 20-shilling saviour, the Dutch bank's staff was preoccupied with another deadline. By order of the top brass, all computer games had to be removed from internal systems by March 1. Penalty for non-compliance: the sack.

Swiss waltz

■ Does Credit Sulsse still pine after Creditanstalt, the Austrian bank it made an abortive bid for last year? With xenophobia seemingly reaching alarming levels in Austrian banking circles, the Swiss withdrew. Now the government faces a budget crisis and is happy to sell its stake in Creditanstalt to anyone with real cash. So will CS

try again? The answer from Josef Ackermann, the Credit Suisse chief executive: "If you ask a beautiful woman to dance and she refuses. you do not ask again. So the only way you can ever dance with ber again is if she comes and asks you."

Paper tiger ■ Trust the French to take a

subject to its logical conclusion. Britisb newspaper tycoons' price wars look pretty feeble affairs when one considers InfoMatin was yesterday going out with a cover price of precisely FFr0.00. One-day wonder that it was, the circulation drive was also economically considerably more soundly based all paid for by sponsors Hewlett Packard, thank you very much. Some of InfoMatin's iournos

threatened to strike at the prostitution of their art. But need they have worried? One newspaper vendor proudly informed Observer that free copies were available for existing clients only.

Future perfect ■ Nick Leeson's lawyers have some

interesting mail for him, according to chit chat in City head hunting circles. At the current count, the Barings trader holed up in a Frankfurt jail is supposed to be the lucky recipient of job offers from up to five financial institutions - the "logic" being that traders who lose a lot of money tend to be wiser creatures thereafter.

Financial Times 100 years ago

The French sugar industry If the German Parliament enacts an increase in the German bounties on sugar exports, the French Government will submit to Parliament a Bill making a corresponding increase in the French surtax on foreign sugars imported into France, so as to protect the French market from German competition.

50 years ago

A capital flight A capital flight on a large scala from Germany to Sweden is reported to be taking place through the transfer of German patents. The Swedish patents office is apparently being inundated with registrations of patents on behalf of German individuals, commercial corporations and research organisations.

Realising that the collapse of the present German regime is at hand, German industrialists and technologists are anxious to safeguard their patent rights by a transfer to neutral territory. This is in order to cover themselves over the period of Allied control of German

Opposition likely from favoured companies

Yeltsin acts to remove privileged trading status

President Boris Yeltsin of Russia yesterday signed decrees revoking the special trading privileg enjoyed by many politically favoured companies in a move which could pave the way to a radical liberalisation of Russian

If fully implemented, the president's orders could lead to the dismantling of an unfair and corrupt foreign trade regime under which well-connected companies have been allowed to accumulate privileges such as exemptions from import and export duties

and from quotas. The two decrees, prepared in co-operation with Mr Victor Chernomyrdin, the prime minister, appear to remove one of the biggest remaining hurdles to an agreement between Russia and the International Monetary Fund. which has been pressing Moscow to liberalisa its foreign trade

likely to run into strong opposition from companies which have taken advantage of the present system, notably the politically powerful oil exporting groups.

Yesterday's announcement came after three reformist decrees signed last week and the government's formal renunciation of its former practice of cov-ering the budget deficit by print-ing money. They are part of a broader effort to ensure that 1995 is the year in which Russia makes progress with economic liberalisation and in bringing

down inflation. Mr Alexander Livshits, a presidential adviser on economic policy, said yesterday's decrees would come into force on May 15. They could earn the government hundreds of millions of dollars in additional revenue as companies currently exempt from paying import and export tariffs are

rent, strange, impulsive aconomic policy, in which some companies are granted privileges and others are not, is to be replaced with an open and trans-

"This is revolutionary," said one western economist in Moscow. "It seems that the reform effort is back on track and the reform team has the backing of the president and the prime

However, Mr Livshits predicted that groups which stand to lose out under the new law, will oppose it fiercely. These include the select group of 14 "special exporters" of oil, which have exclusive and lucrative rights to export. But he said the government

was counting on support from businesses which do not enjoy privileged status.

Turkey to open markets

which breaks Greece's strangle

The EU-Turkey deal, finalised

into effect on January 1, 1996, the

more generous market access as well as an Ecuibn (\$1.27bm) aid package would strengthen Tur-key, which has a vital role as a member of the Nato alliance and a front-line state against radical

backed by Athens.

Greek veto last December.

This is a very serious deci-Dasa and Samsung plan to develop aircraft with China

By Michael Lindemann in Bonn

Daimler-Benz Aerospace (Dasa) vesterday signed an agreement with a South Korean consortium, including the Samsung group, to develop regional aircraft in partnership with a Chinese company.

The agreement is the third leg of a joint venture between the Korean consortium and Aviation Industries of China, and between Aviation Industries and Dasa, which agreed on a partnership in

The regional aircraft market is crowded, with at least 17 manufacturers. Established manufacturers expect competition to increase as emerging Asian countries attempt to establish their

own aerospace industries. The new German-Korean alliance comes just weeks after Dasa was excluded from a new regional aircraft alliance between British Aerospace and the Fran-

Currencies

Continued from Page 1

co-Italian ATR consortium. Dasa said at the time: "All-Eu-

trading while German govern-

ment Bunds were up about a

quarter of a point in generally

weaker European bond markets.

depressed shares in London,

where many leading companies

have substantial earnings from

the US. The FT-SE 100 Index fell

23.2 points to 3001.9, having

dipped below 3,000 in early after-

noon trading. Shares were also

generally weaker in Europe

Europe today

Five-day forecast

increasing every day.

A frontal system, associated with an active depression north of Ireland, will bring outbreaks of rain or sleet to England and Scotland. In the wake of this front, cold and unstable air will be drawn into Ireland, bringing wintry showers, some with thunder, Later today, north-west France and northern sections of Portugal and Spain will have rain. It may also rain in southern

Spain due to a low pressure system. The Benelux, Germany, southern Scandinavia and the Alps will have a few morning showers, but in the afternoon, they will be dry with sunny periods. Across italy and Greece, conditions will improve. Western Turkey and the Balkan states will stay rather cloudy with outbreaks of rain or

showers. Southern Russia will remain dry with plenty of sunshine and spring-like temperatures.

Conditions will stay cool and unsettled across western Europe, due to a series of active depressions. Southern Europe will have frequent thundery showers or periods of rain. However, Greece and Turkey will become dry

with plenty of sunshine and temperatures

Lufthansa

The weakness of the dollar

ropean solutions are no longer sufficient to saleguard the future. Daimler-Benz thinks it necessary to pass European borders and extend activities to Asian com-

Yesterday, Dasa said the threeway joint venture hoped to find further partners in Asia, while the "door in Europe also remains open" to other interested compa-

The German and Korean companies signed a memorandum of understanding on the first day of a visit to Germany by Mr Kim Young-sam, the South Korean

Samsung Aerospace Industries represented the Korean involvement in its role as the leading member of the Korean Aircraft Development Consortium, an alliance which also includes Deewoo Heavy Industries, Korean Air and Hyundai Technology Develop-

The new venture will prepare a feasibility study and hopes to jets.

build a jet, capable of seating 100-120 passengers, sometime after 2000 as a replacement for the 100-seat sircraft made by Fokker, the embattled Dutch aircraft maker which was bought by Dasa in 1993. Fokker last week said it would cut 1,780 workers because

of weak demand for its aircraft. It remains unclear when specific proposals will emerge from the feasibility study. A 120-seat aircraft would cost up to DMRon (\$1.3hn) to develop, but final costs would depend largely on whether the aircraft is equipped. with a completely new engine,

The three partners had not vet decided how the work and the costs would be shared, it added. Dasa has repeatedly said it wants to become Europe's leading aircraft manufacturer and is estimated to have spent at least DM600m to restructure Fokker, which makes 50-seat turboprop aircraft and 70-seat and 100-seat

Mexican peso hits new low

FT WEATHER GUIDE

Continued from Page 1

had previously tolerated an exchange rate appreciation. whereas its new regime offers a possibility of a depreciation of up to 15 per cent by May. "Better be six months late than six years late as in Mexico," said Mr Arturo Porzecanski, an economist with ING Securities in New

and the change in the Brazilian currency regime put further

ity. The government announced more measures, including the use of \$500m of World Bank credit to reduce the risk of defaults by private compenies. 6.875 against the dollar in early morning trading, against 6.325 at Friday's close, bringing the

Tha Mexican developments

pressure on Argentina, facing a battle to defend its currency par-

The Mexican peso dropped to depreciation of tha currency since its flotation in December at close to 50 per cent. It was briefly quoted at 7 to the dollar.

EU and agree deal

agreed a customs union accord with Turkey, a landmark deal hold on closer economic and political ties between Ankara and

outside the region.
However, some Turkish indus-tries will remain protected from EU competition, and Turkish agricultural exports will still face

restrictions in EU markets.
Mr Douglas Hurd, UK foreign secretary, hoped the promise of Islamic fundamentalism.

The promise of future EU membership could act as a catalyst to a political settlement between the Greek-controlled government of Cyprus and the Turkish Cypriot authorities who hold sway over the northern part of the island, Mr Hurd said

mate over Cyprus, which has existed since 1974 when the Turkish army invaded the island in

The deal promises Cyprus that accession negotiations can begin of the 1996 intergovernmenta

This assumes progress in talks between the Greek and Turkish

Ministers also promised a European Commission review of the impact of the proposed customs union on the Greek textile industry, possibly leading to compen-sation for Athens, though no fixed sums are on offer.

The EU has also extracted promises from Turkey to improve its human rights record.

By Lionel Barber in Brussela

The European Union last night the EU.

In return for Greece's agree ment to lift its 14-year-old veto on the customs union, the EU has offered a timetable for Cyprus to join the Union around the turn of

at a meeting of EU foreign ministers in Brussels, marks a triumph for French diplomacy with potentially far-reaching consequences for the eastern Mediterranean.

When the customs union comes EU and Turkey will open their markets to a wide range of goods and services. They will remove tariffs and establish common tartilis for products from countries

The EU initiative is the most promising effort to end the stale-

response to a Greek Cypriot comp France, which holds the rota-ting EU presidency, took the lead after pegotiations foundared on a

six months after the conclusion conference to review the

Treaty sends Turkey westwards,

THE LEX COLUMN French in familiar waters

Relative to the CAC-40

at the heart of the currency market

non. Belgium's proportion of debt to

gross domestic product - 140 per cent

- is an astonishingly high figure for a

monetary union aspirant. The cur-

rency is partly sustained by the unusually high proportion of debt held by domestic institutions, but the Bel-

gian franc could yet suffer pressure.

which has touched a historic low

against the D-Mark. True, the currency would need to fall 8 per cent before it challenged ERM limits. And

fundamentals remain strong: French

inflation is lower than German. But

the polls have raised concerns that opponents of Mr Balladur less commit-

ted to monetary union than the French prime minister could still

become president. If Mr Balladur wins,

The adage that ING is the TSB of

Dutch finance is typical of the snob-bery that pervades much of the City of

London. It is also off the mark. Part of

ING is the old Dutch postal bank, not unlike the UK's TSB. But ING is also a

leader in emerging country finance. It knows more about trading and deriva-

tives than many rivals - certainly

more than collapsed Barings. The fit looks good, particularly in

he will still have to steady market nerves, demonstrating he can take decisions which meet long-term rather

than populist recurrements.

ING/Barings

Then there is the French franc,

Lyonnaise des Baur's latest expansion plans are in familiar waters. In the 1345.0 (-16.2) plans are in familiar waters. In the past, the French water company has splashed out on questionable diversifications ranging from mortuary ser-vices to construction. But its planned acquisition of Northumbrian Water should prove a good fit. Cost savings would be generated by marging Northumbrian with North East Water,

which already belongs to Lyonnaise. However, the regulator is likely to insist that a large portion of savings is passed to customers rather than shareholders. The merger of East Worcester and Severn-Trent led to a 15 per cent price reduction over four years, and the regulator looks determined to wring more out of the Northumbrian deal. Still Lyonnaise might save as much as £10m on operating costs and more than that on capital expenditure which should leave something on the table for investors.

Lyonnaise's decision to clear all regulatory hurdles before making a formal bid has left shareholders dangling at least until June. However, Northumbrian Water's share price jumped 17 per cent to £8.70 yesterday, suggesting that initial estimates of a final bid price of £8.50 may be too low.

If Northumbrian tries to defend the hid, it could gear up further. But the company has already said it will reduce its dividend cover to 2% times earnings by the end of the century. The group cannot go as far as North-ern Electric, which has offered its investors goodies worth £5 a share for rejecting Trafalgar House's bid. Although financially strong, the water companies are still consuming cash. And, like Northern Electric, Northumbrian may find it difficult to push the offer up given the shortage of other notential bidders.

Although hid speculation prompted a rally in the water sector yesterday, most other water companies are either too big or too weak to attract offers. Yesterday's putative bid may, however, encourage other water compa-nies to maximise shareholder value sooner rather than later,

European currencies

Despite its devaluation, the peseta is not out of the woods. The Spanish currency is being bullied by the markets because it is the ERM's weakest. The weekend's move did nothing to alleviate doubts about Spain's current account and budget deficits, nor reduce political uncertainty. Nor will it halt the dash for D-Marks which lies

expertise will complement Barings' position in equities. Still, the bank is not coming cheap given that ING is having to pump in 2860m. Subtract the having to pump in 2000m. Subtract the £450m that Baring Asset Management would be worth - if valued at 1.5 per cent of funds under management and the remaining businesses are

> investment banks whose reputations are not as tarnished as Barings trade on a discount to book value.
>
> How good the deal is will largely depend on whether ING can keep Barings' staff. That is why criticism of the bonuses being paid to Barings staff is muddle-headed. If bonuses were not paid, the best staff would walk. Those responsible for the catalogue of management failures that led to Barings collapse are the exception. It is not enough for them merely to forgo their

bonuses, as ING made clear. Their

heads must roll. ING shareholders

should be worried if they do not

being bought for book value. Many

Other currencies within tha ERM risk being pushed saide in this stam pede to quality. The Belgian franc's Goodwill accounting resilience remains a striking phenome-

Few accounting topics are quite so contentious as the treatment of goodwill, particularly the goodwill which arises whan one company buys another at a premium to the acquired company's net tangible assets. UK finance directors cherish the right to get rid of the irksome substance by writing it off against reserves whereas elsewhere in the world companies tend to capitalise it on the hal ance sheet and amortise it against profits over a number of years.

Within a matter of mouths, the UK's Accounting Standards Board will address the issue. The ASB knows that whatever it proposes will bring a storm of protest, so it will attempt to defuse criticism by holding public hearings on the subject. Its inclination is to oblige companies to capitalise goodwill and write it off. It is slao considering allowing companies to pursue the arcane "dangling debit" alternative, whereby companies with goodwill off against reserves but still show it on the balance sheet.

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The ASB should take a bold, uncompromising stance and force companie into line with the rest of the world. Letting a company write off goodwill, against its balance sheet shrinks its asset base and makes measurement of performance intensely difficult. Companies should have to put it on their profits, unless it can be proven that its value has deteriorated. Debits should emerging markets where ING's debt not be allowed to dangle.

Without us, asthma would take their breath away.

Five million UK asthma sufferers count on pharmaceutical inhalers to deliver precise drug doses that relieve their symptoms. So news that CFC propellants used by such inhalers would be phased out caused a sharp intake of breath, particularly since conventional seals were not suitable for the replacement propellants.

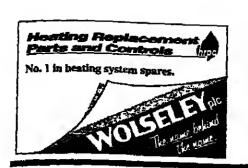
Help came from John Crane Polymer Engineering, the leading developer of inhaler seals. Their new rubber formulation for the seals ensured the integrity of the aerosol measuring chamber and the valve transmission process - no matter which replacement propellant was used - without affecting drug stability and performance.

Thanks to John Crane, asthmatics can breathe a sigh of relief. John Crane is one of Ti Group's three specialised engineering businesses, the others being Bundy and Dowty. Each one is a technological and market leader in its field. Together, their specialist skills enable TI Group to get the critical answers right for its customers. Worldwide.



total We can't change the weather. But we can always take you where you want to go.





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Control of San Paolo di Torino to change

Istituto Bancario San Paolo di Torino, one of Italy's largest banking groups, said it would place "a sig-nificant further tranche" of its 74 per cent stake in Gruppo Bancario San Paolo with Italian and foreign investors before the end of this year. Page 20

Elf Aquitaine sells Texasguif for \$810m Elf Aquitaine, the French oil group, announced it is to sell its Texasgulf phosphates business to the Potash Corporation of Saskatchewan for \$810m.

Matif peised to gain access to UK market The UK Treasury is poised to approva plans that will give Matif, the French financial futures exchange, direct access to the UK market. Page 20

Olivatti bucks a brighter trend As other big names in Italian industry are poised to demonstrate a recovery. Olivetti is expected to report a net loss for 1994 of about L500bn (\$302m). slightly worse than in 1993, and will fail to meet its own target of breaking even at operating profit

Austrian Airlines sees return to black Austrian Airlines expects to return to profit for 1995 after several years of losses, Mr Fritz Otti, the air-line's chief financial officer, said. Page 20

NTT deals blow to BT's global hopes

The decision by NTT, Japan's domestic telecommunications carrier, to tie up with WorldPartners, a global alliance beaded by AT&T of the US, is a serious blow to BT and its ambitions to build up a simi-: iar international alliance of telecommunications operators. Page 23

Reebok cleared for Indian ventures Reebok, the US sports shoe and apparel group, said it had won government approval to establish two

companies in India, It will aim to create a manufacturing base in the country, and sell Reebok prod-ucts locally through a new chain of sports shops.

berian bonds not helped by devaluation Yesterday's devaluations of the Spanish pesets and the Portuguese escudo are unlikely to bring any respite to the woes of those countries' government bond markets. Page 30

Restructured BBA back to black

BBA Group, the engineering and motor components company, revealed the benefits of restructuring by announcing a return to profit and a higher than expected dividend. Page 24

Smith & Nephew fit by exceptional loss Smith & Nephew, the healthcare group, reported a pre-tex deficit of £5.5m (\$8.7m) for 1994, compared with 1993's £164.9m profit, following a £150m exceptional loss on the disposal of loptex, the optical equipment company. Page 24

BA falls to block Virgin's \$1 bn suit British Airways has falled in an attempt to prevent Virgin Atlantic proceeding with a \$1bn damages claim in the US. Virgin can now proceed with three anti-trust claims against its larger rival. Page 24

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Chief price changes yesterday

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Tuesday March 7 1995

By Christopher Brown-Humes in Stockholm and Andrew Baxter in London

Volvo, the Swediab motor manufacturer, said yesterday it would take full control of VME, the world's fourth largest construction and earthmoving equip-ment maker, by buying out Clark Equipment, its US partner, for

The deal is one of the most important this decade in the \$30bn construction and earthmoving equipment industry and could herald a new wave of consolidation as it emerges from

recession. It is also Volvo's biggest acquisition since it aban-doned plans to merge with Renault of France in 1993 and chose to focus on its automotive busi-

VME was formed in 1985 when Volvo and Clark joined their construction equipment businesses. With a global market share of 5 per cent, according to recent esti-mates by Merrill Lynch, it vies with Deere for third place in an industry led by Caterpillar of the US and Komatsu of Japan Yestarday's announcement

to float its 50 per cent stake in VME in a \$700m initial public offering in the US and Europe. Clark's decision to sell its stake is seen as an opportunistic move

that reflected a turnround at VME, which was forced to cut its workforce from about 10,400 in 1990 to 6,900 during the recession.

VME, based in Brussels, lifted net profits from \$30m in 1993 to \$132.1m last year, as sales rose

Mr Sten Langenius, chairman-designate of VME, said Volvo had discussed buying Clark's stake means Clark has abandoned

from \$1.24bn to \$1.56bn. In 1992, it had a net loss of \$94m.

announced, implying tha two had failed to agree on price. Yesterday Mr David Hay, man-

aging director for mergers and acquisitions at Merrill Lynch International, said Volvo had topped what Clark would have received in a public offering. Merrill has been advising Volvo on the deal.

The Swedish carmaker will fund the deal from its cash resources, which piled up during a SKr40bn (\$5.5bn) programme to sell off non-core businesses. Mr Langenius said most VME vehicles already carried Volvo's trademark and were supplied plans announced in late January bafore the share offer was

Eau to be in England

with Volvo diesel engines. "Wa also foresee synergies in such fields as diesel technology, customer segments, logistics and after-sales," he said, atressing VME's strategic importance to

Mr Tuve Johannesson, VME's president and chief executive. said the deal would end a period of uncertainty about the ownership of the company.

VME has nine manufacturing plants in Sweden, Germany, the US. Canada and Brazil. Western Europe accounts for 55 per cent of sales, and North America for

John Ridding and Peggy Hollinger look at Lyonnaise des Eaux in north-east England

French cast bread on Northumbrian Water

Spreading in north-east England. Just days before investors decide on whether to sell Northern Electric, the region's electricity distributor, to the engineering group, Trafalgar House, Lyonnaise des Eaux of France has declared an interest in acquiring its own north-east utility, Northumbrian Water.

The bid represents the first hostile bid for one of the 10 priva-tised English and Welsh water and sewerage groups. It comes nine weeks after the expiry of the British government's golden share in the companies - introduced at privatisation in 1989 to protect them from predators.
It may also herald a broader

assault on the British water industry by Lyonnaise des Eaux and its compatriots, Générale des Eaux and Bouygues. Britain's water sector, which

has lain stagnant for several months while attention focused on the electricity companies, was yesterday bubbling over with takeover speculation. Shares soared after the Lyonnaise autouncement. The circumstances surround-

ing Lyonnaise's interest in Northumbrian, bowever, are unique. yonnaise is already a substan tial supplier of clean water to the region through North East Water, which it created through the merger of small water-only companies - Newcastle & Gateshead and Sunderland & South Shields - it acquired in 1989. Northumbrian and North East

Water already work closely together, sharing activities such as billing. However, there is subcloser alliance, as even Northumpanies discussed takeover possi-bilities, among other things, over Christmas. These included Northumbrian's purchase of North East Water, which it had wanted to buy as early at 1989, or Lyonnaise's acquisition of Northumbrian. The talks broke down, Northumbrian says, over price.

But before Lyonnaise can even think about pursuing its interest, it must clear a number of hurdles. Northumbrian's frosty response is the most obvious one. The offer must also pass a battery of regulatory obstacles. Under UK law, all bids for and mergers of water companies with assets of more than £30m (\$47.7m) must be referred to the Monopolies and Mergers Commission. A bid would also be subject to European Union competition

regulation. The French group has already discussed its offer with the Department of Trade and Industry. The DTI is in discussions with the European Commission over dividing the responsibilities of a takeover review. The initial indication is that regulation will be dealt with by the MMC and competition by the EU.

yonnaise is expected to have little difficulty in satisfying the regulators. Indeed, the UK regulator is likely to view a takeover by Lyonnaise with some favour, as long as customers benefit. In the summer price review. Northumbrian was cited as one of the least efficient companies, while those run by Lyonnaise were among the more efficient.

Lyonnaise says it is prepared for the complex approval process.

brian admits. Indeed, both com- which could take up to three months. With such considerations in mind, Lyonnaise says it will not decide the size and details of its cash offer until such hurdles have been overcome.

Lyonnaise des Eaux and its French counterparts are no stranger to controversy in the water industry in England and Wales. Their early forays, in which French groups bought 12 of the 29 private statutory water companies, prompted concern of widespread takeovers. "Eau La La" was how one newspaper described the moves at the time.

n spite of regulatory obsta-cles and the sensitivity of the move, bowever, Lyonnaise appears determined to pursue its quarry and is confident of suc-"It is an excellent fit in terms of geography and its activi-ties," says Mr Jacques Patry, president of the French company's international water division. Apart from Lyonnaise's plan to merge Northumbrian with North

East Water, prompting cost savings and efficiency gains, the two companies already have a number of common water sources. North East Water supplies drinking water under contract in part of Northumbrian's region, while Northumbrian provides sewerage to almost all the customers of North East Water. The proposed merger would supply about 800m litres of treated water a day to a population of about 25m. If it bid for and won Northumbrian, Lyonnaise would supply and treat all the water in north-east England,

with the exception of Hartlepool, which covers just 90 sq miles. "The enlarged UK group will



Sharper Water Sendon Amendation, Waterfacts 1894

be a major industrial force in the region and one of the largest water companies in the UK," says Mr Philippe Brongniart, the Franch group's executive vice-president.

Lyonnaise des Eaux says the benefits of the merger will form a central plank of its case with the regulatory authorities. Given the cold shoulder from the Northumberland board and the possibility of rival suitors or white knights, the offer would have to be substantially in excess

of the £508m at which Northumbrian was valued at the close of trading on Friday night. This

much was clear from the fact that Northumbrian's shares jumped by 128p to 870p. Générale des Eaux, the biggest

French water group and the principal rival of Lyonnaise, will be watching the bid with great stiention. So too will Bouygues. the construction group which operates UK water services businesses through its Saur subsidiary. "If you look at what hap-pened in 1988-90 then they all moved in together," says one French merchant banker. "Maybe a second wave could break." Lex, Page 16; Background, Page 24

Volvo to take full control of VME Restructure plan at Spie Batignolles after losses on property

By Andrew Jack in Paris

Spie Batignolles, the qnoted construction and civil engineering company controlled by Groupe Schneider, yesterday warned of substantial additional losses in 1994 as a result of the continued depression in the French property market.

The company, which is 59 per cent owned by Schneider, the electrical engineering group, also confirmed it was in advanced discussions for a financial restructuring to be unveiled next month. This could lead to Spie's acquiring Schneider in a

The details of additional losses make Spie the latest casualty in a renewed round of property pro-visions in French companies' 1994 results, including those of Suez, which last week announced provisions of FFr7.8bn (\$1.48bn) dragging it into a loss of FFr4.7bn.

Spie said yesterday that during tha process of finalising its 1994 accounts, it had concluded there would need to be "substantial additional provisions".

The new provisions were caused by poor performance in the property market during the second half of last year and no sign of any upturn in the coming months, as well as slower returns on older contracts.

Spia said the final additional total had yet to be determined but estimates suggest that the net valua of its assets would be less than its capitalisation on the bourse over the last few

In 1993 Spie had FFr6bn in gross property asaets and reported a net loss of FFr215m. The company said the takeover of Schneider, as described in Le Monde at the weekend, was "a possibility" being considered among a range of "many hypotheses" designed to tackle its

financial difficulties. It said no decision had been taken and any conclusion would be made in conjunction with executives from Schneider at a board meeting likely to be held next month.

Spie said that as a result of the restructuring it would have the level of capital "compatible with operational activities", which it said were all showing positive results. Spie shares closed 90 centimes lower at FFr180.60. having shot up to FFr196.50 earlier yesterday on the newspaper

Hillsdown to accept bid for Maple Leaf Foods holding

By Bernard Simon in Toronto and David Blackwell in London

Hillsdown Holdings, the UK conglomerate, is ending its eight-year involvement in the North American food processing industry by tentatively agreeing to sell its 56 per cent stake in Toronto-based Maple Leaf Foods.

Hillsdown would receive a maximum of C\$690m (US\$496m) cash under the offer made by a private company owned by Mr Wallace McCain, who was ousted last year as co-chief executive of his family's frozen foods empire. with the backing of Ontario's teachers' pension fund. But Hillsdown could end up

owning as much as 10 per cent of a new company, dapending on minority shareholders' response to a cash-and-share offer by Mr McCain and the pension fund. Hillsdown will receive a mini-

Hillsdown rose 6p to 182p. Sir John Nott, Hillsdown chairman, said that even at the mini-mun cash level, the effect of the

deal would be broadly neutral on earnings. At the same time, the group would be left with a strong balance sheet that would enable it to seize opportunities in Europe. The group, however, remained open to higher bids. We are looking at this as a floor price - we are now open to better offers," Sir John said.

Forecast pre-tax profits for Hillsdown, due to report its annual results on Thursday, are about £170m (\$270m). The disposal would effectively

cut gearing, which stood at 34.5 per cent at the end of 1993, to below 10 per cent. Hillsdown's stake in Maple Leaf Foods dates from its acquisi-

a controlling stake in Canada Packers three years later. The UK company originally intended Maple Leaf Foods, which has annual revenues of more than C\$3bn, to be a springboard for expansion into the US. But since the departure of Sir Harry Solomon as chief executive in 1993, Hillsdown's focus has shifted more to Europe. Flat earnings and a sharp fall in the Canadian dollar has limited Maple Leaf's contribution to Hillsdown.

A maximum of C\$1.06bn in cash will be available to Maple Leaf shareholders, excluding Mr McCain and the Ontario pension fund, which have built up a 5 per cent staks in the company. About C\$760m of the cash will be provided by Toronto-Dominion Bank in the form of senior debt, with the rest contributed equally by tion of a Canadian flour miller in Mr McCain and the pension fund.

BAe cuts its borrowing costs

By Bernard Gray, Detence Correspondent, in London

British Aerospace is refinancing its banking facilities for the secand time in two years to cut its borrowing costs and increase the

company's flexibility. BAe is raising a £1bn revolving banking facility at an interest rate of % of a percentage point over the benchmark Libor rate, replacing its existing fibn facility which pays % of a percentage point over Libor.

The same group of up to 30 banks is providing the five-year finance. They are led by the four largest UK clearing banks - Barclays, National Westminster. Lloyds and Midland - and

J.P. Morgan of the US. The lower interest rate reflects

the improvement in BAe's financial position and a more competitive banking market since the time of the last financing 18 months ago.

BAe has changed the facility's terms to enable it to take advantage of other financing opportunities. In future, the company's ability to draw on the facility will be limited by its net debt rather than its gross borrowings.

BAe traditionally carries a long-term prodoction facilities, which is partly offset by cash balances. At the end of 1994, for example, it had £1.4bn of gross debt, but once cash was added back it had an overall net cash

bolding of £80m. the bank facility had been lim- another large deal.

gross borrowings. Now it will be able to set its cash holdings against that figure. The greater flexibility will, for

example, allow BAe to raise more money from the long-term bond markets than it could have done previously. BAe has also chosen to repay some debts early from cash in recent years to limit its gross debt exposure, incurring early repayment charges. It will large debt to finance its no longer need to do this unless interest rates make it sdvantageous to do so.

BAe's previous refinancing removed constraints which allowed it to shrink its balance sheet and sell Rover to BMW in 1994 However, it is not thought Until oow its ability to draw on that the new move is a prelude to



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February 1995

THE BARINGS CRISIS

Labour keeps up attack on role of board

The Board of Banking Supervision, which will be carrying out the investigation into the Barings collapse, was initially criticised as potentially "a cosy club of governor appointees" by Mr Anthony Nelson, now the Treasury min-

ister responsible for the City. The decision by Mr Kenneth Clarke, chancellor of the exchequer, to refer the Barings crash to the board continues to be attacked by the Labour

party.
"We want an independent. not an in-house, inquiry," said Mr Alistair Darling, Labour's City spokesman, yesterday. Mr Clarke reiterated that the board'e inquiry would be inde-

When the House of Commons debated the creation of the board, Mr Nelson raised a series of questions about whether it would be independent enough. In November 1986, speaking on the second reading of what was to become the Banking Act 1987, he said: "I question whether we are involved in the cosmetic exercise of setting up a supervisory board to persuade people that something is happening but, in the end, it will be business as

The bill was subsequently amended to increase the numher of independent members to six, out of a total membership of nine, but Mr Nelson still queried the effectiveness of the board. At the bill's report stage, he asked for assurances that the board would be "not a cosy luncheon club but an

effective watchdog body". Mr Nelson said yesterday: "I have absolute confidence that the board will be able to fulfil the task the chancellor has set

The 1987 Act was passed in the wake of the Johnson Matt-hey Bankers crisis of 1984, which led to strong criticism of the Bank of England's supervision of deposit-taking institu-

The board's basic function is to advise the senior officials of the Bank of England on how it is exercising its supervisory powers, either in general or in specific cases. The Banking Act does not specifically cast it as an investigative body.

During the Banking Act debate, Mr Nelson expressed concern that the board might be too dominated by figures from the banking sector. "One needs experts," he said. "How-ever, one needs a lay element, a commonsense element, to provide some input."

The board's members are: Mr Eddie George (Governor of the Bank of England); Mr Rupert Pennant-Rea (Deputy Governor); Mr Brian Quinn (the Bank's executive director in charge of banking supervi-sion); Sir Alan Hardcastle (chairman of the Lloyd's Regulatory Board and a former head of the government's accountancy service); Mr Peter Ger-rard (former Stock Exchange general counsel); Mr Harry Taylor (former president of Manufacturers Hanover); Mr Jon Foulds (chairman of the Halifax Building Society); Lord Swaythling (chairman of Rothmans and a former chairman of Orion Bank); and Sir Dennis Weatherstone, former chairman of JP Morgan.

ING's successful stalking allows it to claw its way into new markets, writes Haig Simonian

The lion sleeps easier tonight he logo of Internationale Nederlanden Group (ING), the Netherlands-



Going Dutch: Mr Cees Maas (left), chief negotiator for ING, and Mr Ressel Lindenbergh, who is to be the new chief executive of Barings

ING's insurance side is now among the leaders in all three countries, and its foothold is being used to open the door to banking services. In South America, by contrast, banking has led the way. Perhaps auspiciously for the Barings takeover, Mr Jacobs

ING ranks as Europe's eighth-biggest bank by market capitalisation, based on NMB's traditional strength as a lender to small and medium-sized Dutch companies. In insur-However, ING's dominance

of the relatively small Netherlands insurance market and its increasing role in domestic banking have forced it to look abroad for growth. Western Europe has been largely shunned because of

had a reputation as a rather

On the face of it, Barings'

developing corporate cultures.

The result is one of Europe's

biggest financial services

groups, combining a strong position in insurance with a

growing presence in interna-

ance, it is fifth.

uneasily inside ING.

overcapacity and low margins in favour of less developed markets in South America and margins are higher.

More recently, these regions have been supplemented by parts of southern and eastern

ING's strategy has been to start from scratch, using whichever of its two core businesses is most appropriate to the local territory as a platform for the rest of the group. In Australia, Japan and Greece, it used insurance to

already sees himself as a bridge between ING's cultures In an interview last year, he



mediary spanning the gap between the Rotterdam based insurers and the bankers, housed appropriately in a curvaceous, avant-garde Amster-

Mr Jacobs' background has helped. Though a Nationale Nederlanden man at the merger, he says his experience dealing with banks and brokers while running the insur-er's investment side gave him an insight into the world of term investment funds of the

banking.
That did not apply to all his

Nederlanden executives decried the bankers as being too "short-termist" and risk prone, he recalls. By contrast, senior NMB men dismissed their new colleagues for just the opposite

However, the merger has gone relatively well and ING is starting to reap the rewards of "bancassurance" - the unusual combination of banking and insurance in one group, where it is a European trend-setter.

Selling policies across bank counters has helped its insur-ance operation, which accounts for about two-thirds of group sales, to raise its share of the Netherlands life market by 1 per cent a year over the past two years. It now claims around a quarter of the market. The bank wrote almost 7 per cent of new life business in 1993 against only 1 per cent The merger has also

reinforced the hank. It now offers a wider range of financial options to corporate clients by pooling its short-term lendinsurer.

sale, of Ballast Nedam, the Dutch-based property group formerly owned by British Netherlands. by Hochtief, as an example of the formula working at its best. In that deal, ING's two

sides co-operated closely to cre-ate a complex financial package for the client. However, the merger has not overcome all its teething troubles. While the bank is increasing its sales of life policies which are similar to its traditional savings products, more complex non-life lines are prov-

ing more difficult for non-spe cialists to peddle. And the relocation of ING's top group executives from the bank's headquarters to a nondescript glass tower on the out-skirts of Amsterdam hints at continuing rivalry between the

Still, the task of integrating Barings should be helped by the fact that the British bank is strong in fields where ING is

ING has expanded fast in emerging markets banking, research franchise for which Barings is highly regarded.

national clout which its financial muscle might snggest, being limited largely to the

Adding Barings' expertise in privatisations and mergers and acquisitions would plug a gaping hole. ING is already a sizeable player in fund manage-ment, thanks to the huge premiums inflows from its poli-

party fund management. Furthermore, to compete for global business, ING needs a

stronger presence in London. Last October as a first step in this direction it set up a new operation in the city called ING (UK) Capital which shares a trading book with a similar

entity in New York. Integration may also that the three main Barings businesses will report individu-That did not apply to all his Mr Jacobs points to the purcolleagues. Some Nationale chase, and subsequent part- ING has yet to gain the inter- committees of ING – a move

which reflects the operational independence the group gener-

ally gives its units Mr Jacobs and his colleagues appreciate ING's shortcomings and the group had been considering an acquisition to beef up its securities and corporate finance activities for some

A big New York or London bouse was excluded because it would be too expensive and

hard to digest. But Mr Jacobs acknowledged last year that a smaller, well regarded player would make an ideal mouthful. The drawback, he said, was the cost: ING would not pay fancy prices to get into investment

Although not given to easy bumour, Mr Jacobs joked at the time about the legendary tight-fistedness of the Dutch, and admitted that ING would be unlikely to find a takeover target that could meet his tough criteria - it would probably have to build up its securities and corporate

But that was last July, well before the collapse of Barings

E BONUSES

Payouts promised to keep staff loyalty

Barings' employees will receive 1994 bonuses which will cost ING Group some 290m to 295m – but the payouts will not benefit Mr Nick Leeson, the Barings trader who allegedly brought down the bank, and certain senior executives.

Six executive directors on the board of Barings ple, the defunct holding company of the group, have waived their payments. They include Mr Peter Baring, chairman, Mr Andrew Tuckey, deputy chair-man and Mr Peter Norris, head

of investment banking.

ING said there were other employees who risked not get-ting bonnses, which were dependent on the results of the Bank of England's investiga-tion into the collapse. dent on the results of the

ING said bonuses would be distributed first to the most junior staff and most would be transferred by the end of the year. It was unclear whether the gesture would staunch criticism that managers were more concerned about their own bonness than about the creditors of the bank.

"It would be quite wrong for anyone in the senior manage ment in Barings to receive a single penny in bonuses while the bank lies in ruins around them," said Mr Alistair Darling, City spokesman of the

Labour party. Neither ING or ABN Amro, another Dutch bank which mounted a rival takeover hid over the weekend, have com-plained about Barings executives' preoccupation with remuneration, ABN Amro was prepared to pay horuses for 1994 plus a token of goodwill for the year shead. But one potential UK bidder said it had found bargaining with Barings executives early last week about bonuses "distasteful".

Barings executives argued that they had acted not in their own interests but of the staff and the business, Officials said there was never any question of a deal failing on the question of remuneration. Bonuses were a contractual obligation to many equity sales and other staff, they finance skills internally said, and the recipients were

n effect creditors of Barings They argued too that employees had to be rewarded to keep them loyal. An executive at Baring Securities, the stockbroking and marketmaking business, said: "It is the price of saving the people

 and the business."
 One of the first actions of Barings executives, concerned about staff defections, was to inform them of the honus arrangements agreed with ING. Mr Michael Baring, acting chairman of Baring Securities, told London-hased employees that ING would "preserve" their bonuses.

At Baring Asset Management, bonuses to key employees will be staggered to ensure they remain with the group, according to Mr Peter Hartley, a managing director.

"It was imperative that ING agree to pay the honuses in order to lock in staff," Mr Hartley said. Without that guarantee, the most marketable members of staff would have been likely to defect, taking clients

SINGAPORE EXCHANGE - By Nikki Tait in Singapore and Nicholas Denton in London

Barings calmed Simex fears on February 8

Officials of Simex, the Singapore exchange, told Mr Tony Hawes, Barings group treasurer, on February 8 of their concerns about positions built up by Baring Futures (Singapore), the derivatives operation run by Mr Nick

At the time of the meeting in Singa pore, however, Baring Futures had substantial long positions in futures on the Nikkei 225 index - Mr Leeson was betting on a rise in the Japanese stock market.

In January and February, Barings provided Baring Futures with about \$580m to finance margin calls on the long positions, which declined in

But from January 26 until the end of last month when Barings collapsed, senior management in charge of risk were being told that the Simex positions were not long, but short.

. A member of the asset and liability committee (Alco) on which Mr Hawes also sat, said it was told that Mr Leeson was operating e perfectly matched trading book. He was, Alco was informed, arbitraging between the Osaka Stock Exchange and Simex markets for Nikkei futures, to take advantage of small price differences between the exchanges. Alco was given to understand that Baring Futures was long in Osaka and short to the same amount in Singapore. A

participant in the meeting between Mr Hawes and Simex said the conversation centred on the size of the positions rather than whether they were long or short.

He said Simex focused on how Barings would meet its advance payments, which depended on the size of the futures position, rather than the margin calls, which increased as the contracts lost value.

Barings executives said they expected that the inquiry into the collapse of the bank would focus on the apparent contradiction between the true positions in Singapore and the infor-Confirmation of Mr Hawes's meeting with Simex officials came in a letter from Barings to Simex officials on February 10, which put in writing the group treesurer's verbal assurances. Lawyers for Simex said yester-day that they now knew this letter had been cleared in London.

Barings stated in the letter that it would monitor its Baring Futures (Singapore) unit every day. It indi-cated that there was no risk of the Singapore unit failing as it was dealing with Baring group units.

It said immediate action would be taken if the situation deteriorated and gave assurances that more funds would be made available if necessary to support Baring Futures.

At the meeting, Mr Hawes had told Simex that Baring was aware of Baring Futures' commitments to Simex. He said the bank had credit facilities in place to accommodate these.

Mr Hawes also said that the bank was aware of all open positions held by BFS. Finally, be assured regulators that Barings would write to the exchange to put these assurances on paper. However, he did not inform them of the conclusions of the January 26 meeting of the ssset and liability committee in London, which had determined that Mr Leeson should "be advised that positions should not be increased and where possible

EXTRADITION - By Jimmy Burns

UK 'must make a strong case'

A British lawyer is working on behalf of the Serious Frand Office to have Mr Nick Leeson extradited to the United Kingdom, Germany's Supreme Court prosecutor, Mr Hans-Hermann Eckert, said yester-

However, Mr Eckert, speaking in Frankfurt, said that extradition to the UK would only be granted if a strong case was made against Mr Leeson for deceiving the bank.

"If (Leeson) only did what Barings wanted, then the British courts have no jurisdiction," Mr Eckert said.
The SFO refused to comment

specifically on Mr Eckert's statement, although it repeated it did not believe it had sufficient grounds yet to press for The SFO is understood to

have announced last week that it was launching its inquiry into possible fraud at Barings because UK banking officials

released by German police. One of the SFO's senior police investigators, detective superintendent Jerry Ohlson, returned to the UK at the weekend from Frankfurt where he is thought to have told German authorities of the SFO's interest in questioning Mr Lee-

The decision to send Mr Ohl-The decision to send Mr Ohlson was taken at the highest level after the German prosecuting authorities had expressed doubts about documents initially presented by the Singapore government to back up its extradition claim against Mr Leeson.

The Singaporean authorities are expected to lodge further charges against Mr Leeson before he appears et the end of the week in front of an examining magistrate.
Mr Eckert said the grounds

for the extradition to Singapore will be put to Mr Leeson at the bearing. Lawyers acting

bail. "If he (Mr Lesson) said he was willing to go to Singapore it could happen at once, but he certainly won't do that because his aim is to get to England," Mr Eckert said.

Mr Leeson has been held since last Friday in a prison in Hochst, on the outskirts of Frankfurt, after being detained by airport police as he tried to make his way to London from

Yesterday, after spending a weekend alone, Mr Leeson met Mr Eberhard Kempf, his German lawyer to discuss ways in which he might fight extradition to Singapore.

Mr Leeson told Mr Kempf that he wanted to receive prison visits only from his lawyers and his wife. Lisa.

A lawyer from Kingsley Napley, the London based law firm, which specialises in white-collar crime cases, is expected to visit Mr Leeson today to discuss future legal

cers from Singapore's Commercial Affairs Department - the equivalent of the SFO returned to Singapore from Frankfurt after presenting initial charges of fraud against

German lawyers acting for Mr Leeson described the initial charges as "not very believable", and said they expected that further charges would focus on an allegation of breach of trust - the withholding of information from the bank - which is an offence under German law.

German prison authorities said yesterday that Mr Leeson appeared to be "in good spirits". Mr Leeson has a radio and a TV in his cell and is allowed to visit the argent allowed to visit the prison library but he has no access to a telephone. He is allowed an hour or two of free time in an enclosed park-like area and also has access to a sports field enclosed by a 20-foot-high con-

MICK LEESON - By Nikki Talt in Singapore

Trader's faxed letter offered 'sincere apologies'

Nick Leeson, the futures extent that a breakdown is trader at the centre of the Baring bank collapse, blamed extreme stress for his decision to leave Singapore on Thursday, February 23, the day before directors in London began to mount an ultimatelysuccessful rescue effort for

In a handwritten letter faxed to his immediate superiors in the Barings Futures (Singapore) office on February 24, Mr Leeson offered "sincere

apologies for the predic-ament that I have left you "It was never my intention or aim for this to happen but the pressures, both business and personal, have become too much to bear and after receiv-

ing medical advice have affected my health to the

र सम्बद्धारिकोन् । २००० मा १८०० मा १८० इ.स.च्यारिकोन्द्र स्थानसम्बद्धाः स्थानसम्बद्धाः स्थानसम्बद्धाः स्थानसम्बद्धाः स्थानसम्बद्धाः स्थानसम्बद्धाः स

He said that, in the light of his actions, he was tendering his resignation immediately, and promised to make contact early in the following week "to discuss the best course of

The letter, printed in a Singapore newspaper yesterday, was written in an even but slightly florid script. It was in Kuala Lumpur, where Mr Leeson is known to have spent Thursday night before moving to a resort in north Malaysia.

The letter was marked for

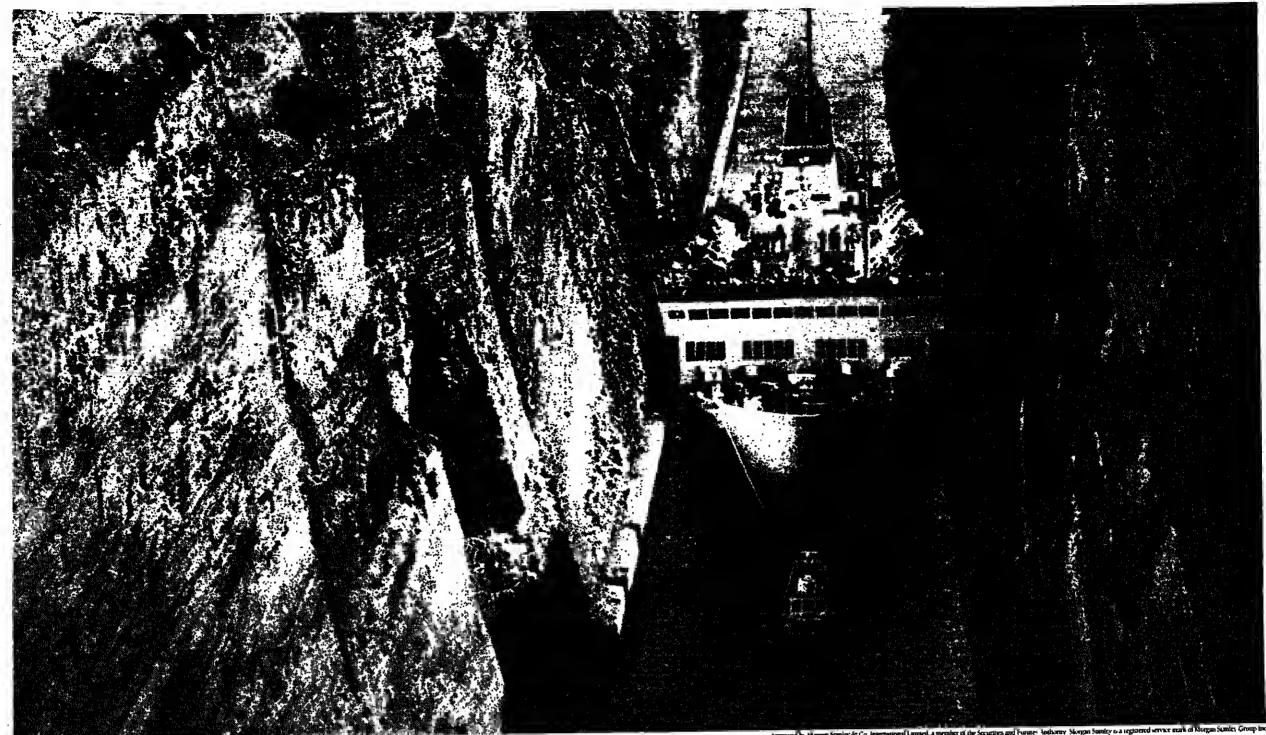
Breakdown was 'imminent' Mr Jones' lawyer - apparently surprised at its release the attention of Mr Simon Jones, a director of BFS, and Mr James Bax, who headed confirmed that the letter was

business yesterday, although no one had yet taken over use of the BFS facilities on the Simex floor. The desks In Singapore, the Baring remained forlornly empty and police thought that Mr









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Matif poised to gain direct access to UK market

By Andrew Jack

The UK Treasury is poised to approve plans that will give Matif, the Freoch financial futures exchange, direct access to the UK market.

In an announcement expected today, the UK government will declare that it has oo objections to the French market authorities offering their services within the country as a "recognised investment

Under the terms of the agree ment reached with the French government, the London international Financial Futures Exchange will simultaneously be granted identical rights of access to the French market.

The decision marks a significant increase in the powers of access to foreign markets for financial exchanges in European Union states.

It is particularly important given the intense rivalry between the French and UK futures exchanges

Once formal approval is granted, Matif will have the right to advertise its products in the UK, to market directly to trading houses within the country and to install trading screens so that its cootracts can be bought and sold

Matif's first move is likely to be to offer traders in London access to its Globex electronic

return to profit for 1995 after

several years of losses, Mr Fritz Otti, the airline's chief

financial officer, said yester-

day, Reoter reports from

The airline, which is 51 per

cent state-owned, plans to boost turnover by 9 per cent in

1995 to Sch11.7bn (\$1.2bn), he

Profits will also be boosted

The company on Friday

by cootinued restructuring

at all times outside normal operating hours of the "open outcry" Paris market.

Over time, Matif may also give access to UK-based institutions to the two products it is to offer later this year through electronic trading to the Deutsche Terminbörse, its counterpart in Frankfurt.

In theory, Liffe can offer the same services in France. although its commitment to trade in open outcry - which is incompatible with simulta-occus electronic trades - may put it at a disadvantage.

The UK Treasury's decision follows a report into the proposal by the Office of Fair Trading published on December 23 last year, which concluded that there would be no significant anti-competitive

Mutual recognition of exchanges between EU member states will become mandatory from next year, with the implementation of the investever, many Europeao exchanges still have to make

substantial changes to their regulations before this can Mr Gerard Pfauwadel, chair-

man of Matif, was unavailable for comment yesterday. However, he said shortly after publication of the OFT report that it was a wonderful "Christmas gift".

Austrian Airlines expects Phosphate fertilisers have return to black this year 1994 was cut to Sch204.2m from

Sch728.5m in the previous 12 mooths. The airline is taking delivery of two Airbus A340s, the largest in its fleet and capable of carrying up to 440 passengers. It invested Sch2.4bn in the air-

In co-operation with Delta Air Lines of the US and Swissair, Austria Airlines will fly to Washington. It will also fly in co-operation with China Air to

Texasgulf sold by Elf Aquitaine

By John Ridding in Paris

for \$810m

Elf Aquitaine, the French oil group, yesterday announced that it had agreed in sell its Texasguif phosphates husiness to the Potash Corporation of Saskatchewan for \$810m.

The sale, which has been agreed with the Williams Companies of the US, Elf's partner in Texasguif, reflects the French group's strategy of dis-posing of non-core businesses to reduce debts.

In a joint statement, Elf and Williams, an oil transport and telecommunications group, said the decision to sell the husinesses to the Canadian company would result in a suspension of a planned public nffering for Texasgulf.

The offeriog had been announced in January, when Mr Philippe Jaffré. Elf's chairman, said he was taking a FFr1.9bo (\$377m) provisioo for Texasgulf in the accounts for

The write-down of Texasgulf one of a series of proviof FFr5.4bn for 1994, the first deficit in Elf's history. It also reflected the fall in

value of the US company, acquired in 1981 for about FFr13hn. Elf sohsequeotly integrated the oil activities of Texasgulf into its oil and gas

Texasgulf is one nf the world's largest phosphates producers. It makes and sells solid and liquid fertilisers, animal feed supplements and purified phosphoric acid.

seeo a significant price improvement since the begin-ning of 1994, hat the trend over recent years has been for a decline in demand.

Industry observers in Paris welcomed the sale, "It shows that Jaffré is delivering oo his promise to raise cash and get debts down," said one oil industry analyst at a French merchant bank. At the end of 1994, Elf's

debts stood at FFr45ho, down from FFr53bn at the eod of the previous year. At 47 per cent. bowever, the deht to equity ratio remains well above the

Control of San Paolo di Torino to change

The charitable foundation which owns 74 per cent of Istituto Bancario San Paolo di Torino, one of Italy's largest banking groups, plans to give up major-lty control of its banking activities after more than four centuries in charge.

Gruppo Bancario San Paolo, the foundation's wholly owned subsidiary, said yesterday it would place "a significant further tranche" of its stake in the bank with Italian and foreign investors before the end of this year.

The privatisation of San Paolo di Tor-

ino should give further impetus to liber-alisation of Italy's banking sector.

tion from reducing its stake in the bank below 51 per cent will be abolished taking advantage of a law passed last year aimed at loosening the hold of public foundations over the banking

Having formed a "stable nucleus" of shareholders in San Paolo di Torino, the foundatioo could offer further shares to the public during 1996, depending oo market conditions. The core shareholding could amount to about 40 per cent of the bank's total capital, of which about a quarter would be in the hands of foreign institutions. The bank also announced yesterday

authority to increase its nominal share capital from L7,429bo to L10,000bn (\$6bu) if necessary, through an issue of

convertible bonds The move would give San Paolo di Torino the flexibility to proceed with the merger with Banca Nazionale delle Communicazioni, which is controlled by Italy's state railway company, without baving to ask shareholders. It would also allow the bank to raise money for shares in forthcoming privatisatioo issues, including the sale of Stet, the telecoms holding company. Enel, the electricity company, and Eni, the energy and chemicals group.

ister in the Berlusconi government, Mr Lamberto Dini, oow prime minister, has pressed for the foundations to sell more shares in the banks. The aim has been to reduce local political influence over the financial system and improve efficiency. Leading Italian industrialists and the Bank of Italy have also called for greater liberalisation.

In 1992, the San Paolo charitable foundation, founded in Turin in 1563, became one of the first foundations to take advantage of new rules allowing public institutions to float off their bank holdings, when it launched an international offer of shares.

Time running out for Olivetti's promises

Computer group is expected to report L500bn loss despite shake-up, writes Andrew Hill

t is never easy being the odd one out, as Olivetti, the Italian computer group,

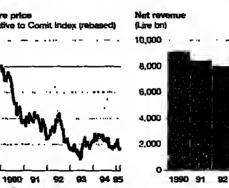
is just discovering.
Other big names of Italian industry are poised to demon strate a strong recovery with their results for the 1994 calendar year. Olivetti, on the other hand, is expected to report a net loss for 1994 of about L500bo (\$302m), slightly worse than in 1993, and will fail, alheit narrowly, to meet its own target of breaking even at operating profit level.

As the oews has filtered out, the group's share price, which reached a peak of more than L3.000 during 1994, has slipped down to about L1,900, weighed down by some analysts' warnings that the shares could go as low as L1.600.

Yet last May, Mr Carlo De Benedetti, the group's chairman and, through other quoted companies, its dominant shareholder, forecast that Olivetti was poised to "reap the benefits of a sweeping structural reorganisation". What has gone wrong?

The group's results should be announced formally at the end of next mooth or beginning of May, later than usual because of the need to hring the accounts in line with new European standards. But in discreet briefings of investors and analysts the company bas tried to get across the message that there are no fundamental

Mr Corrado Passera, Olivettl's chief executive, is soldiering on with the 1993-1995 restructuring programme to

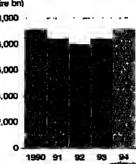


which his boss referred, and is still oo course to cut sales, general and administrative costs to less than 18 per cent of turn-

over this year. indeed, the group accelerated the restructuring during 1994, cutting staff by about 2,000, whereas the original plan was that redundancies would be offset by the hiring of new staff

The group has also finally merged Its services and systems divisions, which should help cut costs further. That has pushed up extraor-

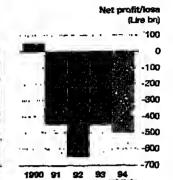
dinary charges, a price Olivetti is willing to pay in return for greater efficieocy. Added to interest payments oo increased net debt, and an extraordinary trading loss of some L130bo on its investment portfolio, heralded when Olivetti announced its interim results in September, it is easy to see how the group has managed to lose



L500bn at the bottom line. What worries analysts more is the apparent erosion of Oli-

vetti's market share and margins in the personal computer sector. The personal computer division accounts for about 20 per ceot of the group's L9,000bn annual turnover, and in volume terms PC sales rose hy almost 30 per ceot last year. But income from PCs is still not enough to cover the commercial oetwork and research and development expenditure,

and the losses are unlikely to be reversed until 1996. While market share by volume has dropped, the group is simultaneously moving into higher value, lower volume products, increasing its share of the higher end of the market. Analysts believe, however, that Olivetti misjudged the extent of last year's price decreases. It was an excusable error in a cut-throat market,



but as Mr Brian Pearce of Dataquest, the technology research consultancy, points out: "Getting it right is what is sorting the men from the boys

at the moment While it completes work oo turning round the PC division, Olivetti suffers from the reputation of being a "jam tomorrow" stock, always promising exciting returns around the

heo the group's new Telemedia division, which brings together Olivetti's existing multimedia interests, was launched last year, the poteotial size of the worldwide informatioo market was put at \$3,000bn, but the division's turnover for 1994 was forecast to reach only L325hn. Similarly, although Olivetti has a 35.7 per cent stake in Omnitel

consortium which will launch ltaly's second digital mobile phooe network later this year. will take four years for

Omnitel to break even. The combination of these factors has encouraged speculatioo – dismissed by Olivetti – that the group will have to return to the market with a rights issue in the next year or

so, to ease the burden of debt. Olivetti does have the flexibility to issue further paper. last year it received sharehold ers' authority for the issue of up to L2,000bn of bonds, and shares with a nominal value of up to L1,000bn, over five years. But within the last two years. the company has launched a L575bn convertible bond issue and a L902bn issue of shares and bonds, and further dilution of potential earnings would be

poorly received. The problem for investors is how and wheo to decide whether Olivetti'a promises will he realised. The formal 1994 results are unlikely to add much to what is already known about the group's post tion. Some analysts believe Olivetti would be better seeking a partner to help develop its troublesome PC division, but in any case it will only become clear at the end of this year whether efforts to restructure

the PC husiness are paying off. Meanwhile, it looks as though the Italian group will bave to ask for just a little more patience from its shareholders. After nearly five years without a divideod, this is a virtue which is beginning to

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This announcement appears as a matter of record only.

STORA 1994

The economic trend was favourable in Europe, North

Consumption in Europe increased in all of the Group's product areas. The increases varied between

America and Southeast Asia during 1994.

SUMMARY OF YEAR-END REPORT ON OPERATIONS

SALES AND EARNINGS

The Group's invoiced sales in 1994 amounted to SEK 48,894 million (50,435). After adjustment for divested units, invoicing increased by SER 5,703 million,

corresponding to 13 per cent. Operating income totalled SEK 4,367 million (2,197). Income included nems of a nonrecurring nature in a net amount of SEK 581 million (140). Income after nel financial items amounted to

SEK 3,217 million (524). Income per share was SEK 31.70 (10.90), Adjusted for nonrecurring tients, income per share was SER 25.35

6 per cent for newsprint and 16 per cent for coated fine papers. Group deliveries in 1944 increased by a total of 6.4 per cent to 6.924,000 tons. Average capacity utilization within the Group

MARKET SITUATION

totilled 95 per cent. up six percentage usus during the The sales prices within the Group's product areas increased gradually during the year as a result

SALES AND OPERATING INCOME	BY BUSINESS A	AREA	OPER	ATING
(SEK m)	INVOIC	ED SALES	INCOM	E/LOSS
	1994	1003	1994	100/3
Stora Power	1,574	1,468	-28	1
Stara Forest and Timber	5,987	5,668	816	696
Stara Cell	3,933	3274	422	-105
Stora Feldmühle	17,180	15.896	966	248
Storo Billerud	9,942	9771	1,196	10.8
Stora Papyrus	12,900	nogr	855	186
Store Building Products	3,721	3,385	-83	-167
Stora Financial Services	-		381	803
Divested units	442	7,685	2	353
Copital gains			914	1~5
Amortizatinn of surplus values			-391	-105
Group adjustments and other	-6,785	-7,66L	-683	-385

48,894

of the favourable demand and the improvements in

capacity utilization.

INVESTMENTS Investments in plant during the year totalled SEK 3,249 million (3.327), including SEK 2,046 million (1,870) in Sweden, Planned deprectation was SEK 3,566 million

DIVIDEND PROPOSAL The Board of Directors is proposing a dividend of

SEK 10,00 per share. 5:1 SHARE SPUT

The Board will propose to the Annual General Meeting that a share split be implemented, whereby the par value

of the stare will change from SEK 25 to SEK 5.

ANNUAL GENERAL MEETING STOPA's Annual General Meeting will be held on

Tuesday, May 9, 1995 in Falun, Sweden.

The complete report time be ordered from STORA, Corporate Communications, \$-791 80 FALUN. Sweden, Tel: +46 (0)23 78 (0) 00. Fast +46 (m23/253/29)

FIDELITY FUNDS Société d'Investissement à Capital Variable Kansallis House - Place de l'Étoile L- 1021 Luxembourg R.C. Luxembourg B 34.036

A STATE OF S

Fidelity Funds has declared a dividend in respect of shares of Fidelity Funds - Sterling Bond Fund in issue at the close of business on January 31, 1995, of £ 0.0045 pounds sterling 10.45 pencet per share. In the case of registered shares, dividends will be paid or reinvested in additional shares of Sterling Bond Fund, as appropriate, on March 15, 1995; dividend cheques not cashed within 5 years will lapse and the dividend will revert to Fidelity Bands.

In the case of bearer shares, dividends will be paid to holders of bearer shares in sterling (or by arrangement with the Paying Agent and at the cost of the shareholder, in any other currency) against tender of the relevant coupon (coupon in 17) to:

Bankers Trust Luxembourg S.A. P.O. Box 807 14. boulevard F.D. Roosevelt (Luxembourg Paying Agent)



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Limited U.S. \$50,000,000 Floating Rate Notes due 1997 or the see months oth March. the Notes will carry an interest rate of CSL250 per annum with a coupon amount of U.S. \$599.51, per U.S. \$19,000 Note and U.S. \$9,982.04, per U.S. \$250,000 Note, parable on 6th September, 1995. Bankers Trust Company, London Agens Ban

Inter Capital

Mistral International Limited US\$1,100,000,000 Variable rate notes 2005 Valuate to the Indices of Indices on 7 June 1995 will amount to US\$17,441.67 per US\$1,000,000 Agent: Morgan Guaranty Trust Company

USD 10,000,000,000 EURO MEDIUM TERM NOTE OF SOCIETE GENERALE, SOCIETE GENERALE ACCEPTANCE NV AND SOCIETE GENERALE AUSTRALIA LIMITED SERIE N°76 SGA SOCIETE GENERALE ACCEPTANCE NV FRF 100,000,000 ZERO COUPON NOTES DUE MARCH 23RD, 1995 ISIN CODE : XS0049649188

50 435

Notice is hereby given to the Noteholders that the Final Redemption Amount applicable upon

redemption of each note will be: FRF 600,000 per denomination of FRF 1,000,000 Reimbursament of the nominal will be made on

Merch 23rd,1995 in accordance with Condition 6 Payment" of the Terms and Conditions of the Notes.

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TO THE HOLDERS OF WARRANTS TO SUBSCRIBE FOR SHARES OF GOMMON STOCK OF

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issued in conjunction with an issue by the Company of

U.S.\$100,000,000 2½ per cent p.a. Guaranteed Notes due 1998 NOTICE OF ADJUSTMENT OF SUBSCRIPTION PRICE

regant to Clause 4(C) of the trestrument dated 25th March, 1993 (the Furrament to Gause 4001 of the tristrument dated 25th March, 1993 fine firstrument? I under which the above described Warrants were issued, notice is hereby given that at its meetings held on 7th, 15th and 23rd February, 1995, the Board of Directors of the Company authorised to issue Japanese Yen 15,000,000,000 2.8 per cent p.a. convertible nous due 29th March, 2002 with the initial conversion price per Share of Yen 484 being less than the current market price of Yen 565.63 per Share anolicable as at the date, as defined in the lostroment. applicable as at the date, as defined in the Instrument.

As a result of such issue, the Subscription Price at which Shares are issuable upon exercise of the Warrants has been adjusted in accordance with Clause. I of the instrument from Yen 550 to Yen 565250 with effect from 4th March, 1995 (Japan time).

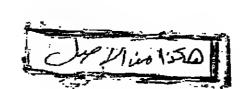
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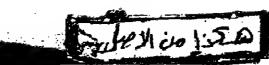
7th March, 1995

Weekly Petroleum Argus

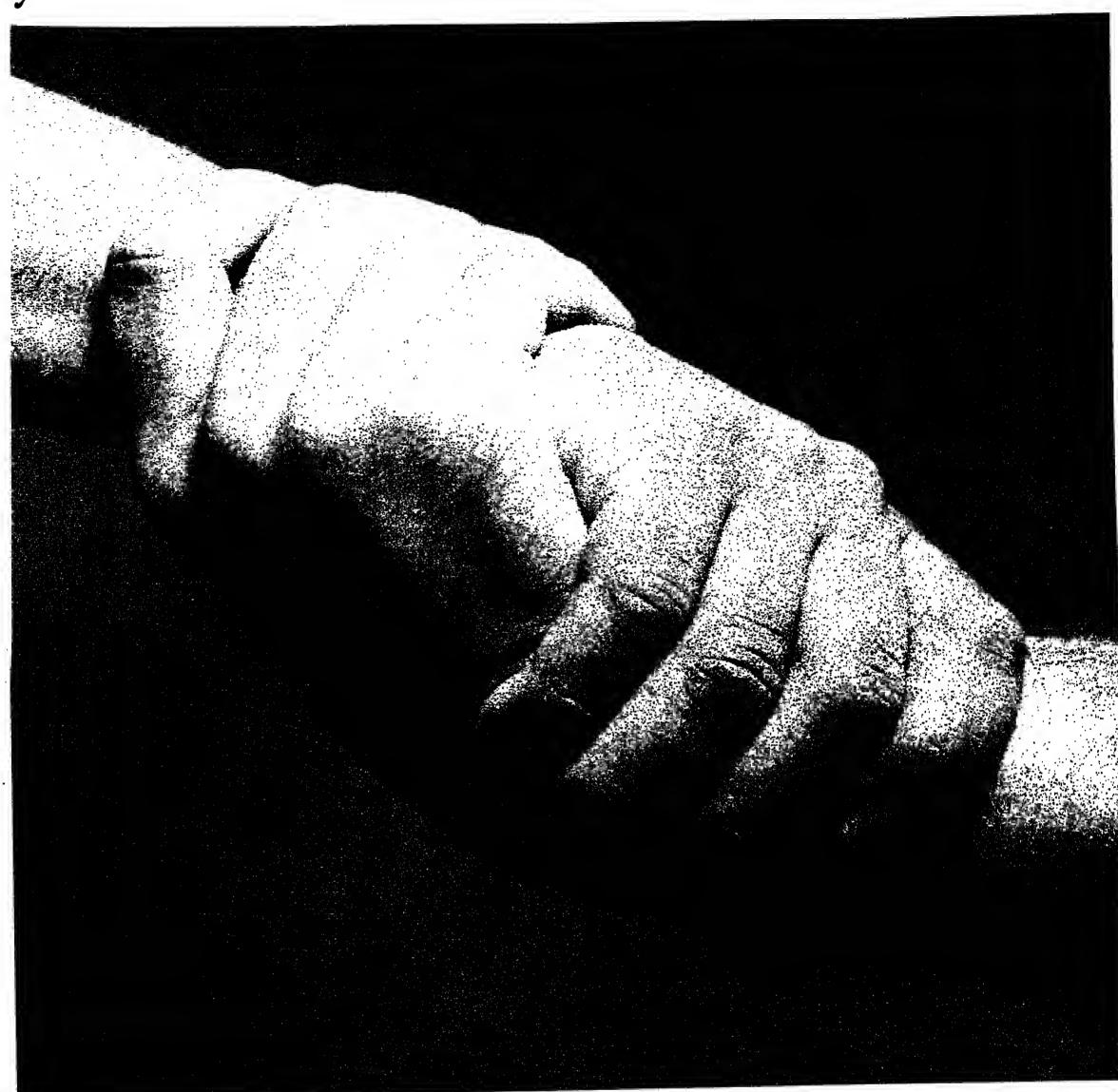
RYOBI LIMITED By: The Mitsubishi Bank, Limited as the Principal Paying Agent

Petroleum Argus





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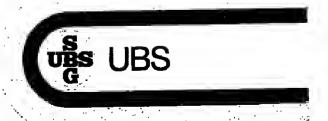


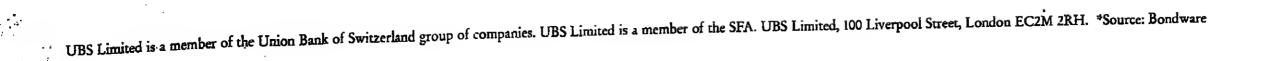
In difficult markets like these, what does a bond issuer look for in a lead manager?

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It is not, of course, simply a question of financial firepower and commitment. Success at this level, in these market conditions calls for sound judgement and experience, especially when the issuers in question are among the most sophisticated and demanding in the world. In these respects, the fact that UBS topped the 1994 league table for Sovereign and supranational issues speaks for itself.*

Capital strength, commitment and experience: three reasons why, when the times are tough and the outcome important, you are in safe hands with UBS.





American Standard's lesson in stock control

The group has provided names like GE with something to imitate, writes Tony Jackson

n General Electric's latest annual report its chair-man, Mr Jack Welch, lists companies from which the conglomerate learnt lessons last year. American Standard, the world's biggest maker of toilets, is cited as showing GE the benefits of "demand flow technology", under which all activities and workers not adding value to the organisation are

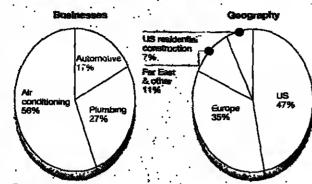
Demand flow is not, perhaps, the most fortunate term from a maker of toilets. But American Standard is an unusual company. Founded in 1929, it was taken private in 1988 to escape hostlle bid from

Black & Decker. Last month, it returned to the public stage with a \$270m initial flotation, valuing the

company at about \$1.5bn. That might seem a meagre sum for a group with sales of \$4.5bn and a dominant position m several markets around the world. American Standard has 30 per cent of the US market for commercial air conditioning. It is the biggest supplier of bathroom and kitchen ceramics in Europe and most of the east Asia. It claims 75 per cent of the European market for ABS vehicle braking systems.

However, as a result of the burdened with \$2.1bn of debt.

American Standard sales breakdown



Last year it made a profit of \$244m before interest and a loss of \$15m after interest. It has negative net worth of about \$400m. Such circumstances bring out the ingenuity of management. In American Standard'a case, the result was demand flow technology. The term is not easy to

define. According to Mr Emmanuel Kampouris, chairman, it is "a holistic approach". Among other things, it requires a move from traditional batch manufacturing to flow manufacturing hence the name - throughout

it also involves e ruthless

reduction of inventory and working capital. Mr Kampouris points with particular pride to the brake business in Leeds, England, where in the past four years sales have risen 44 per cent, the workforce has fallen 21 per cent and working capital has gone negative. Inventory turns - the number of times stock is turned over in a year - have risen from six to 38. As a result, half the factory

Inventory turns, a popular measure of efficiency among US managers, are something of an obsession at American Stan-

is vacant, and the floor space

has been painted red in cele-

dard. The group's present fig-ure is just under 10, while the target is 15 (at General Electric, the target is 10 and last

year's figure under seven). Some 1,000 senior staff receive their annual bonus purely on the basis of the year's inventory turns for the

The resulting rise in productivity, of capital as well as labour, is central to the group's profit projections.

Mr Kampouris says: We don't accept any improvement in profit margin inrough pricing or economic growth. We plan three years ahead on the assumption of constant sales, and we want to see the margin improve throughout."

Yet some of the group's sales targets are ambitious. By the end of this year, in China where it is already well estab-lished in the toilet market and hopes to make inroads in central heating - the company expects sales to be \$300m a year. By the end of the decade, it predicts sales of \$1bn.

According to Mr Fred Allar-dyce, chief financial officer, sales in the rest of the group will be rising sharply as well, with the brake business doing most of the running.

In the oext two or three years, he says, sales growth will be in double digits; therecent, in line with the everage between 1988 and 1994.

In addition, Chinese sales are currently not consolidated because American Standard operates through joint vencures. That will gradually change, so that by the year 2000 the full \$1bn will be counted in. That will make for sales of between \$7bn and \$8bn, compared with \$4.5bn

t would not do to get carried away with all this.
The company's debt load is still formidable, and parts of its business are unprofitable even at the operating level. In addition, it is partly exposed to the economic cycle, particu-larly in the housing market.

As Mr Allardyce concedes the worldwide roadshow to promote last month's flotation left some investors cold, particularly in conservative financial centres such as Edinburgh.

However, there is plainly something afoot. Notions like demand flow management are hard to assess, since every US manager can talk glibly of reengineering and quality circles. But the highly profes-sional managers of GE found something to imitate. That, at any rate, looks like honeat

NEWS DIGEST

Lufthansa expects its first profit for five years

Lufthansa, the German airline in which the state holds a 35.7 per cent stake, has hinted that its healthy performance last year will mean a return to profit for the first time since 1990, writes Frederick Stedmann in Berlin. At the International Tourism Fair in Berlin,

board member Mr Hemj Klein said that pas-senger numbers in January were 8.5 per cent up on the same period the year previously. Sales in January were up by 7.8 per cent. A 6 per cent increase in capacity utilisation is, according to Mr Klein, the highest increase recorded by any airline in Europe.

Furthermore, Lufthansa sources hinted that last year the effects of e drawn-out restructuring programme, which involved the reduction of the stake held by the German government, will translate into profits said to be in the region of DM350m (\$245m).

The official results for 1994 will be presented

Brazil may privatise Vale Do Rio Doce

Mr Jose Serra, Brazil's planning minister, said the government would carry out a study lead-ing to the sale of Companhia Vale Do Rio Doce (CVRD), the state-owned mining group, Reuter reports from Brasilia.

Mr Serra edded that the national privatisa-tion council "decided to ask the planning ministry and the mines and energy ministry to ask the BNDES (Brazil's national development bank) to prepare a study for the privatisation

of Vale" • A strike by 2,500 workers yesterday, brought the port of Santos. South America's biggest, to a standstill, reports AP-DJ from São Paulo. The administration staff of the São Paulo state dock company, which runs the port, walked off their jobs to demand a 26.05 per cent wage rise.

The port, 45 miles south of São Paulo, handles 50,000 tons of cargo daily and loses \$1.2hn in uncollected fees each day operations are

Danish food processor doubles net income

Aarhus Olie, the Danish specialist producer of vegetable oils and fats for the food processing industry, almost doubled net profits to DKr60m (\$10.5m) from DKr32m in 1993 after increasing pre-tax profits to DKr81m from DKr63m, writes Hilary Barnes in Copenhagen. Sales were ahead at DKr2.91bn from DKr2.80bn. An unchanged 5 per cent dividend was proposed.

Last year was marked by strong demand for high quality oils and fats by European customers, said Aarhus Olie, although its US subsidlary, which produces cocoa butter substitutes for the US chocolate industry, had a difficult

year. Investments which have been undertaken to increase capacity are expected to con-tribute to further growth in the current year,

Electrolux to buy stake in Indian group

Sweden's Electrolux said it planned to buy a majority holding in listed Indian white goods manufacturer Maharajah International of New Delhi, Reuter reports from Stockholm.

Electrolux said it would inject \$13.3m for its 51 per cent stake. As part of the process, Elec trolux said it sold its 12 per cent stake in Kelvinator of India.

Laurentian Bank 8% ahead in first quarter

Laurentian Bank, controlled by the big Dejardins financial services group, posted net profit of C\$10.2m (US\$7.29), or 49 cents a share, for the first quarter of fiscal 1995, up 8 per cent from C\$9.4m, or 44 cents, a year earlier, writes Robert Gibbens in Montreal.

Fee income was up 16 per cent and loan losses were down 20 per cent. Total assets were C\$10.5bn et January 31, little changed.

Strong progress by Finnish companies

Analysts expect Kymmene Oy, the Finnish for est firm, to report a FM1.04bn (\$237m) profit after financial items for 1994, while Finnish metals and mining group Outokumpu is expected to report a FM953m profit after financial items for 1994, Reuter reports from Helsinkl.

The forecasts for Kymmene, which is due to report on March 8, ranged from FM950m to FM1.15bn. In 1993, the company showed a FM256m loss after financial items. It said in January it would show a profit of about FM1bn after financial items for 1994.

Earnings per share for 1994 are seen rising to FM11.30 from a loss of FM3.89 in 1993; the forecasts ranged from FM9.80 to FM12.90. For Outokumpu, which reports on March 9 the profit forecasts ranged from FM718m to FM1.09bm. In 1993, the company's profit after financial items was FM202m. According to the average forecast. Outokumpu's earnings per share were projected at FM7.33. Forecasts ranged from FM5.80 to FM8.60. Outokumpu's

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Olivetti buys into multimedia consultant

1993 earnings per share were FM3.52.

Olivetti, the Italian computer company, announced yesterday that it has bought 40 per cent of ICEI Multimedia, an Italian multimedia consulting company, AP-DJ reports from

ICEI had sales of more than L56bn (\$33.8m) in 1993. Olivetti said that the purchase was in line with its efforts to expand its multimedia business and was made through Elea, its consulting and training subsidiary.

Marriott to acquire 49% of Ritz-Carlton Hotel

By Richard Tomkins in New York

Marriott International, the US-based hotel operator, is planning to enter the huxury hotel business by acquiring e minority stake in the Atlanta based Ritz-Carlton Hotel for a sum understood to be between \$150m and \$200m.
It said yesterday that it had joined a

partnership formed by Thayer Capital Partners, a Washington-based private investment firm, to take a 49 per cent stake in Ritz-Carlton Hotel.

It expects the deal to close this The Ritz-Carlton Hotel manages 31 luxury hotels, most of which are in the US. It does not operate the Ritz hotels in London, Paris, Madrid, Barcelona or Lisbon, and is not allowed to operate botels under the Ritz-Carlton name in cities where Ritz hotels already exist.

Marriott has nearly 900 hotels in the US and overseas but has not previously operated in the luxury sector.

It said it was putting up most of the cash for the initial 49 per cent stake in Ritz-Carlton Hotel and was negotiating an agreement that would allow it buy the balance of the company's equity

Ritz-Carlton Hotel is privately held and does not publish its financial results. Mr Frederic Malek, chairman of Thaver Capital Partners, said: "There is not a botel chain in the world that does not have some noteis that are underper-

On the positive side, the hotel industry is on an improving trend right now, and the merger will provide impetus for that because of the strengths thet Marriott International will bring to

PWGPP (partly paid)

POWERGEN

NYSE Symbols: PWG (fully paid)

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New York, or Diana E. Barham (071) 322-6338 or Michael McAuliffe

(071) 322-6336 in London.

This announcement appears as a matter of record only.

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World project finance for 1994 topped \$17bn

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Worldwide project finance stood at more than \$17bn last year, according to figures published by Project Finance International, part of IFR, the financial publishing group.

This is the first time total underwriting business in the project finance market has been measured as a whole, PFI PFI said that recent turbulence in

Mexican financial markets had cast a cloud over project finance initiatives in Latin America and other emerging markets, making their financing more prob-

Mr Rod Morrison, editor at PFI, said:
'A lot of project business related to bonds seems to have been put on hold for the time being.

However, "while bonds have been

dropped for emerging market projects, banks are very keen to step in" and iend money directly at low levels of ricing, ne said.

PFTs figures show that global lending

business reached \$13bn last year and was more evenly spread across the world than in 1993. Project finance raised through the issuance of bonds and used mainly to refinance existing loans was valued at

However, the use of bonds, which provide cheaper and longer term money, for financing purposes is increasing worldwide, although they are currently used more in the US than in Europe,

PFI said. The Asia-Pacific region accounted for \$4.2bm of total project finance lending business, the Americas \$2.9bn and Europe and the Middle East \$6.5bn.



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NOTICE OF ORDINARY AND EXTRAORDINARY GENERAL MEETING

The shareholders of Compagnie Bancaire are invited to attend the Ordinary and Extraordinary General Meeting to be held on Wednesday, 22nd March, 1995 at 5.00 p.m. at the Head Office, 5 avenue Kléber, Paris 16ème, to consider the following

The Report of the Board of Management on the current activities end position of the Company.

The Report of the Auditors. The comments of the Supervisory Board.

The approval of the accounts for 1994 and appropriation of proms.

The option to pay the dividend in the form of shares.

The renewal or the mandate of two members of the Supervisory Board The appointment of the mandate of one member of the Supervisory Board to replace one other member whose

mandate will terminate The amendments of Memorendum and Articles of Association in order to comply with new regulations concerning commercial companies The renewal of the authorisation of the Board of

Management to out and sell shares of the Company on The Stock Explange in the to regulate their price. is: renewel in the action to on of the doard of management to issue different categories of securities

ity warrants giving immediate or deferred access to issued capital. The ranewal of the authorisation of the Board of Management to increase the issued capital through capitalisation of reserves.

Any other business.

Authorisation to implement the above procedures.

in order to attend or be represented at the Meeting, owners of registered shares must have been entered on the register five clear days prior to the Meeting. Holders of bearer shares must deposit, at least five clear days prior to the Meeting at the Head Office, the certificate of deposit, issued by the bank, financial medium; of successive with whom the sheres ere lodged.

Postal votes must be " lived at the ried Office of the Company on the appropriate form six days in advance of the

Shareholders who wile to attend the Meeting are requested to make advance application to the Company for an

cial Times plans to poblish a survey on

on Monday, April 10

The survey wall be distributed at the EBRO meeting in London and discuss the economy, foreign it vestment, oil & gas, agriculture etc. It will be distributed with the 'T on that day and read by leading decision-makers in over 160 countries worldwide. if you would like to advertise to this influential audience ple

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DM 300,000,000 Floating Rete Notes of 1995/2000

Three-Months-DM-FIBOR less 0.05% p.a., payable quarterly in arrears

on March 6, June 6, September 6 and December 6 of each year March 6, 2000, at pay Frankfurt/ Main

Trinkaus & Burichardt

und Wechsel-Hank

Caisse des dépots et

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ABN AMRO Houre Govett

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Westpac Banking Corporation (Incorporated with limited liability in the Stele of New South Wales, Australia)

U.S. \$240,000,000 Perpetual Capital Floating Rate Notes

In accordance with the terms end conditions of the Notes, notice is hereby given that for the Interest Period from 7th Merch, 1995 to 7th September, 1995 the Notes will carry an Interest Rate of 7.05 per cent. per annum. The Interest Amount payable on the Interest Peyment Date which will be 7th September, 1995 is U.S. \$36,033.33 for each Note of U.S. \$1,000,000.

Westpac Banking Corporation

Westpac House 75 King William Street, London EC4N 7HA

NOTICE OF EARLY REDEMPTION FUJI BANK (LUXEMBOURG) S.A. US\$ 50,000,000. FLOATING/FIXED RATE GUARANTEED BONDS DUE 2002 ISIN XS0036231578

Notice is hereby given that, pursuant to condition 5(b) of the Terms an Conditions of the Bonds, the Issuer has elected to redeem, on 3rd April, 1995, all of the Bonds at their principal amount together with accrueat up in such date. On and after the redemption date, interest on the Bonds will cease to accrue. Fuji Bank (Luxembourg) S.A.,



Agent Bank

Real-time U.S. & international quotes on over 90,000 issues As low as \$9/day, Call today: 44 + (0) 171 600 6101

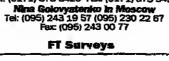


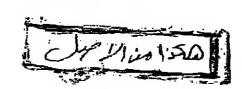
\$100,000,000 Floating Kate Notes due 1005 Floating Rate Notes due 1995
In accordan, with the provisions of
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that the Ram of interest for
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accruing for such three month
period will be £173.29 per £10,000
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£100.000 Bearer Note, on 2nd
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Coupon No. II. Union Bank of Switzerland London Branch Agent Bank

2nd March, 1995



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test WorldPartners' World-

source Virtual Network Ser-

vice in Japan for six months,

and act as a point of contact in

the Japanese domestic tele-

coms market for World-

Partners' corporate customers.

emphasise the temporary

nature of the agreement, the

move has given AT&T and its WorldPartners alliance e sig-

nificant edge over BT in the crucial Japanese telecoms mar-

ket, the second largest in the

WorldPartners is an alliance

of telecoms operators formed by AT&T, the US-based tele-

coms group; KDD, the Japa-

nese international telecoms

operator; and Singapore Tele-com. It competes directly with

Concert, a joint venture com-

pany set up by BT and MCI, another US carrier.

to provide multinational corpo-rations throughout the world with seamless telecoms ser-

The aim of both ventures is

While NTT was careful to

INTERNATIONAL COMPANIES AND FINANCE

Reebok cleared | Testing time in battle for global telecoms links to establish two Indian ventures

By Mark Nicholson

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Reebok, the US sports shoe and apparel group, said vesterday it had won government approval to establish two companies in India. It will aim to create an important manufacturing base in the country, and to sell Reebok products locally through a new chain of sports

Reebok Technical Services, a 100 per cent subsidiary, has been established to provide a design and manufacturing con-sultancy for Indian producers. The unit would turn India into a "major manufacturing base and sourcing centre" for Ree-bok International, according to Mr Muktesh Pant, Reebok managing director in india.

Mr Pant said the new com-pany would expand Reebok's present Indian sourcing of sports shoes. Phoenix International, a diversified Indian trade and manufacturing group which already produces Reebok cricket shoes for export, is building a 21-acre plant at Nolda, near New Delhi, with capacity for 6m shoes a year. Reebok is also planning to source shoes for

export from a plant being built by Lakhani India.

Mr Pant said Indian producers had already exported 200,000 running shoes to the US under the Reebok name. He said the company envisaged eventual production of up to 20m pairs of shoes a year for export from Indian plants, mainly to markets in Europe and North America. The company was also evaluating possi-ble Indian suppliers for clothing and sports equipment, he said.

The group has also formed Reebok India Company, a joint venture with Phoenix Overseas. It will hold 20 per cent of the new group, to market Reebok products through a planned chain of sports shops. Ten properties have been bought in big Indian cities, and Phoenix said it expected to open 55 showrooms by 1997. Mr Pant said a 1 per cent share of India's market of 4m to 5m shoes a year would make

He said Reebok had not finalised the value of ite equity participation in the two compa-nies.

it "one of the biggest Reebok operations outside the US or

NTT's tie-up with AT&T has deprived BT of a vital Japanese connection, writes Michiyo Nakamoto

he decision by NTT, vices on a global scale.

Japan's dominant Multinational corporations domestic telecommuni- which sign up for one or the cations carrier, to link with other service should be able to WorldPartners, a global alli-ance headed by AT&T of the US, is a setback for the UK's order and use global voice and data communications, havs their services maintained, and British Telecommunications pay their bills through one sinand its ambitions to build up a gle point of contact. similar international alliance

The virtual private network services offered by telecoms of operators. NTT said last week it would

We are taking the pragmatic approach that we must get on with our business' -Mr Peter Nelson, BT representative

director in Japan

groups are an alternative to a corporate private network, and provide corporate customers with a basket of telecommunications services at fixed rates. They are also considera-bly more flexible than private networks.

For example, a multinational company dealing with a VPN provider only can easily extend the network, rather than having to go to the various domes-tic and international carriers involved.

AT&T and BT, and their international partners, have been keen to build up their

multipational business, which is expected to be one of the most lucrative sectors as the telecommunications needs of multinational corporations become greater and more

In that context, access to the Japanese market is crucial.
"Given the increasing demand for virtual private networks and the importance of the Japanese market, we view this agreement as a major advance

establishing seamless...linkages domestically, internationally and globally," Mr Simon Grieger, president of WorldPartners, said. NTT's decision to test virtual

private networks with World-Partners and act as its domes-tic Japanese liaison gives the AT&T-led alliance not only a direct link to the huge Japanese market through NTT's long-distance and local networks, but also a powerful marketing position in a coun-try where relationships are key to winning business.

Ba brave face on the latest turn of events. "We are taking the prag-matic approach that we must get on with our own business," says Mr Peter Nelson, representative director of BT in

BT, which is in charge of

nations.

joining hands in corporate telecommunications services. At one point a few years ago, it looked as though NTT would strike a deal with the BT

BT has also been one step behind AT&T in winning the important link that would enable Concert to offer voice telephony services to its corporate users in Japan. Tha Japanese telecoms

regime restricts international call business to three national operators: KDD, ITJ and IDC. International carriers need to sign up with one of these three to offer voice telephony services to Japanese users. AT&T invited KDD to join

WorldPartners in May last year. BT is only just approach-ing an agreement with ITJ, in which it owns a 2.5 per cent stake. Mr Nelson is convinced that NTT could still switch sides

after the six-month trial period. So far, only 10 carriers have signed up for WorldPartners, which has access points in 26

Concert has already signed corporate contracts worth \$500m and another \$1bn worth of contracts are being discussed. It has about 5,000

Japan, had for several years been talking to NTT about customer access points in 68 this is useful for customers", NTT says.

NTT says.

Nevertheless, international network in place which is key to the service". Mr Nelson points out.

"I really do think that NTT would like to have a working relationship with the leading consortium," he says.

Once BT finalises an Japan's International telephone traffic

Millions Change on of calls year (%) +34.3 +26.3 319.5 +19.7 +16.4 382.0 481,4

Source: InfoCom Research egreement with ITJ on providing global corporate voice services in Japan, there should be no regulatory barriers to NTT acting as a point of contact in Japan for Concert,

BT says.
NTT, for its part, emphasises that its agreement with World-Partners does not prevent it from signing similar deals with other carriers. It had agreed to a six-month trial period to see whether its customers really

want such services. Whether it stays with WorldPartners depends entirely on "whether or not

Nevertheless, international trade issues, the Japanese government's telecommunications policy and this year's review of

NTT's status will also have a bearing on which of the two global alliances secures NTT's hand. Given Japan's uneasy trade relations with the US, it is safer for NIT to sign up with AT&T; some telecoms industry observers detect political

motives behind the latest NTT move. The US government has sent strong signals that it is keen to help its telecoms companies penetrate the Japanese market. At the same time, although NTT has agreed to co-operate with WorldPartners, the Japa-

nese government's review of its status, beginning this spring, means the company could become a different kind of carrier, operating in markets distinct to those it is currently allowed to work in. In the meantime, however

AT&T has won a powerful partner whose influence in Japan's promising market is

For BT, which will have to be content for the time being with a deal signed with one of NTT's subsidiaries, it will be a long and trying six months

Rise at Safren hides operating weakness

By Mark Suzman in Johannesburg

Safren, the South African leisure and shipping group, has reported an 18.3 per cent rise in attributable profit, to R183.2m (\$51.3m) from R154.8m, for the six months to the end of December.

However, the figure masked limited overall improvement, as turnover climbed only 8.1 per cent to R2.8bn from R2.59bn previously. Similarly, the rise in operating profits was also lacklustre; they were up 4.8 per cent to R480.4m from R458.3m. Slight reductions in interest paid, to R25m from R40m, and in tax, which dropped to R90.5m from R95.5m, helped improve bot-

tom-line earnings. Of the group's biggest divisions, shipping business Safmarine was the best performer, posting a 34.6 per cent advance in its contribution to group

from R58.7m a year ago. Freight handling division Rennies also performed well, lifting attributable earnings 8.8 per cent to R28.6m from R25.6m.

Leisure and entertainment division Kersaf, however, was hit by industrial unrest in its Sun City resort, in Northwest province, which resulted in cancelled bookings. The Paradise Island resort in the Bahamas, which the group has been refurbishing, also incurred some losses.

The disruptions meant Kersaf's contribution to group earnings - which was further diluted by the company's issue of new shares to acquire an interest in the City Lodge hotel chain last year - rose just 8.8 per cent to R76.7m from R70.5m.

However, the balance sheet and cash position is healthy and continued improvement in attributable profits, to R79m rest of the year.

Southcorp maintains payout despite fall

Southcorp, the Australian packaging and wine group, is maintaining its interim dividend at 8.25 cents a share in spite of a dip in revenues and earnings for the six months to last December.

The company yesterday announced an 11.5 per cent decline in earnings, to A\$61m (US\$45.1m) from A\$68.9m a year ago, and a 1.7 per cent fall in revenues to A\$1.16bn from

Mr Graham Kraehe, managing director, said the profits fall reflected a change in accounting practice at the com-pany's troubled US water heeter division. The US operations incurred a A\$9m loss for the period, compared with e A\$8.9m loss a year

Packaging remained the mainstay of the company's earnings, with e small rise in pre-tax profit to A\$57.5m from A\$57.2m. The wine division lifted profits to A\$38.1m from A\$34.7m, while appliance earnings eased to A\$30.8m from

Mr Kraehe said restructuring of the US water heater busi-ness was continuing, but losses had persisted.

He said the appliance divi-sion would benefit from tha acquisition last year of the Australian operations of the US-based Hoover group. This had doubled the company's share of the Australian white goods market to about 40 per

"The company's strong bal-ance sheet will be used to finance acquisitions with an emphasis on US and Asian packaging opportunities," he said.
The result followed tax provision of A\$39.3m, compared

with A\$33.3m previously, and depreciation of A\$55.3m against A\$53.6m. Interest expenses eased to A\$18.4m from A\$19.7m. • F. H. Faulding, the Austra-

lian pharmaceuticals company, has raised its interim dividend to 9 cents from 8 cents a share following a 1.7 per cent increase in net earnings to A\$18m from A\$17.7m in the six months to December.

Revenues rose 3.6 per cent to A\$686.5m from A\$662.8m.

shipping arm

Steamers Maritime Holdings, the shipping arm of Singa-pore's Keppel Group, yesterday reported a 60 per cent advance in 1994 net profit, to S\$9.1m (US\$6.3m) from S\$5.77m a year ago, AP-DJ reports from Singapore. Turnover rose 8 per cent to \$\$100.6m from \$\$22.8m. It attributed the higher sales

and profits to improvement at telecom subsidiary Folec Communications, and to new shipping charters. The company said it would

continue to invest in new container vessels for charter, and upgrade its existing fleet.
In telecommunications, it is bidding for a second cellular mobile telephone and paging

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Solid growth at | Korea Mobile Keppel Group's soars on boost in subscribers

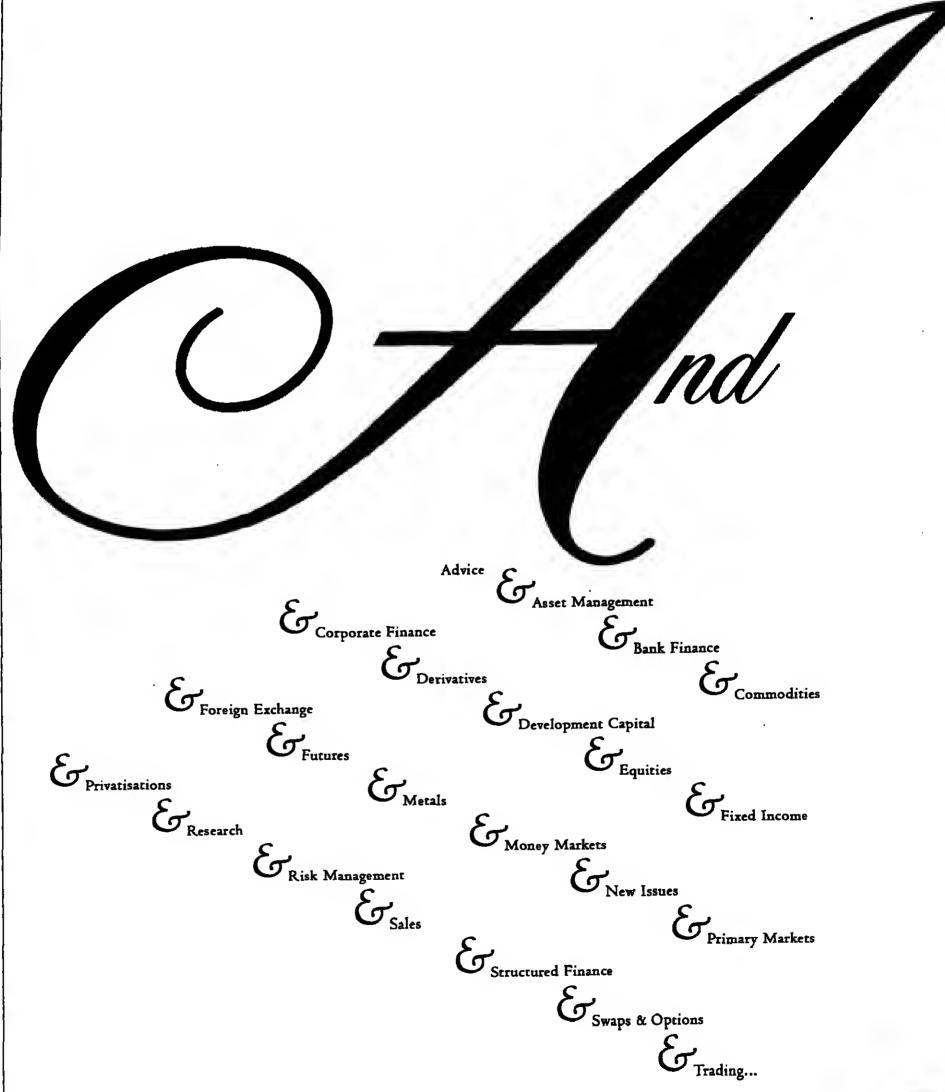
Net profits at Korea Mobile Telecom, South Korea's monopoly cellular telephone service, have surged 67 per cent to Won128.7bn (\$100.2m) for 1994, writes John Burton in Seoul.

Sales jumped 83 per cent to Won782.9bn, as the number of mobile telephone subscribers more than doubled last year to almost 1m. Meanwhile, turnover from its paging service

rose 51 per cent.

KMT is seeking a listing on the London Stock Exchange later this month by issuing \$150m in global depositary

receipts. The funds will be used for a Won300bn investment programme to expand services.



INVESTMENT BANKING.



MEMBER OF THE SECURITIES AND FUTURES AUTHORITY AND IMPO

A DIVISION OF BARCLAYS BANK PLC

Buoyant demand seen in US and Europe for friction materials

New-look BBA back in black

BBA Group, the engineering and motor components company, yesterday revealed the benefits of restructuring by announcing a return to profit and a higher-than-expected div-

The group, which cut 2,000 jobs and sold businesses with sales of £130m last year, said it was ready to make a sizeable acquisition after transforming losses of £14.5m into pre-tax profits of £63.9m (\$102m) in

"It has been a pivotal year for BBA and we are now moving from rationalisation into acquisition mode," said Mr Roberto Quarta, the chief exec-

Holmes

Protection

to Nasdaq

A vell was drawn over one of

the London market's more colourful smaller companies yes-terday when Holmes Protec-

tion Group, the US-based

security concern, announced that it was transferring its

listing to Nasdaq, the US

exchange.

The shares will be traded in

London until the close of busi-

ness on March 27. A reverse

one new share for 14 existing

ones. The new sbares are being priced et about \$6 (370p)

Mr Richard Hickson, chief

executive, said the move

would end an anomaly for the company, which derives 99 per

cent of revenues from the US.

It also ends an eventful

chapter in the company's his-tory. In 1989 it became the

subject of intense shareholder

antagonism in response to its

deteriorating financial posi-

tion, culminating in the com-

pany having no less than three chairmen during 1990.

Further unrest the following

year saw a dissident share-

holder group led by Mr Eric

Kohn, a former executive, take control. More boardroom ruc-

tions followed, including the installation of Sir Ian MacGre-

gor, former head of British

Steel, as chairman in 1991,

while Holmes began a slow

recovery. However, Sir lan

Last November, the company

reported pre-tax profits of \$1m

for the nine months to Septem-

ber 30, compared with

Mr Hickson said he hoped

the full-year results, due later

this month, would continue

resigned last year.

\$239,000 previously.

the company's recovery.

stock split gives shareho

transfers

By Christopher Price

utive recruited from BTR 16 months ago to overhaul the group. Under his stewardship, it bas spent £43.4m of last vear's £72.1m rationalisation provisions to cover plant closures and redundan Mr Quarta also hinted at fur-ther disposals and stated that

the company was committed to four areas: automotive friction materials, aviation services, non-woven textiles and specialist electrical equipment. "There's no place in this com-pany for businesses which do not bave critical mass or a strong presence in specialist

The group is thought to regard its aviation components business and its automotive as ripe for disposal. Mr Quarta, however, effec tively ruled out an ontright sale of Antomotive Products. the motor components subsid-

iary, by pointing out that buoy-

ant demand in North America and continental Europe had

made it the leading European supplier of friction materials. Sales in such areas helped lift operating profits from £91.1m to £103.8m. Tba improvement would have been still bealthier had the group not spent £13.1m to settle a long-running patent infringement case in North America

and incurred a £7.3m loss on disposals. Even so, funds raised by the divestment programme helped reduce net borrowings from £166.4m to £49.5m, equivalent to gearing of 12 per cent.
Although group turnover fell
from £1.42bn to £1.38bn including £152m from discontinued operations - operating margins rose from 6.4 to 7.5 per

reaching 9.4 per cent in the After exceptional items, earnings per share came out 10.7p (8.8p). A final dividend of 3.25p is proposed making 4.75p (7.5p) for the year against expectations of 4.5p.

cent, and came close to Mr

Quarta's 10 per cent target by

Underlying profits could reach £120m this year for a forward multiple of 13.

British Vita manages to pass on increases in costs

British Vita, the foam and fibre group which warned last summer that raw material prices were threatening its profitability, said yesterday it had been able "substantially" to recover price rises during

Its shares rose 22p to 234p as the group announced buoyant results, lifting pre-tax profits 47 per cent from £33.7m to £49.5m. (\$79m) Mr Bob McGee, chairman, said:

*Although cost increases are being forced upon us, these are largely being recovered as appropriate through a combi-nation of efficiencies, product re-engineering and selling

Trading conditions had improved in the US and the UK as these economies emerged from the worldwide recession, Mr McGee said. He expected continental Europe to follow, with sustained signs of improv-

1993

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through in the current year. Pre-tax profits for 1994 were flattered by above-the-line arges in the previous year. Operating profits increased at e more modest 34 per cent from £33.5m to £45m. Turnover increased by just 2 per cent from £754.2m to £769m.

The industrial polymers division, where the bulk of raw ing consumer demand coming material price rises were felt,

Raw material costs rose between 5 and 50 per cent on industrial chemicals, and the group pushed up its selling prices between 3 and 10 per

The group's investment at Vita Polymers Poland last year had already proved profitable. although the company did not expect to break even until the second year of manufacturing at the site.
Mr Rod Sellers, chief execu-

tive, said he expected industrial chemical prices to peak early this year. Raw material prices in the

foam division, however, were just beginning to rise again. They had eased after the group made its warning last summe In the fibres division, raw material costs began pushing up at the end of 1994, and are continuing to move up this year. "We are about halfway through the cycle on raw mate-rial prices in fibres," Mr Sellers

Acquisitions boost leaves Suter with 24% expansion at £24m

By Geoff Dyer

Boosted by the contribution of acquisitions, Suter, the industrial conglomerate, announced a 24 per cent increase in 1994 pre-tax profits.

After excluding the £19.1m profit from the disposal in 1993 of the valves division, pre-tax profits rose to £23.6m (£19.1m) after turnover jumped 31 per cent to £244.9m (£186.9m). Sales from continuing business were up 7 per cent at £192.9m, with acquisitions -

including the £23.4m purchase

in May of James Wilkes, the Sheffield engineering group adding a further £52m. Trading profit, excluding the £7.1m made by acquisitions, was only slightly up at £18.2m (£18.1m).

The group's return on sales dropped from 10.8 per cent to 10.3 per cent after the return from chemicals fell to 13.7 per cent (16.9 per cent), because of declining margins in synthetic pyrethoids - the main business of Mitchell Cotts Chemicals -As a result, chemicals profits 9.5p (9.2p) for the year.

fell to £6.8m (£7.3m), although turnover was up at £49.8m (43.3m). However, Mr Abell said that Mitchell Cotts had made profits in February and March, equivalent to half of Aided by the Wilkes acquisi-

tion, profits from the automotive and engineering side dou-bled to £8.9m, with sales 65 per cent higher at £83.1m (£50.4m). Earnings per share, excluding the 1993 disposal, were up 21 per cent at 13.9p (11.5p). The which made profits 21m lower. final dividend is 6p, making

BA fails to block Virgin's \$1bn suit

By Michael Skapinker, Aerospace Correspondent

British Airways has failed in an attempt to prevent Virgin Atlantic proceeding with a \$1bn (£600m) damages claim in the US.

The two airlines said yesterday that Judge Miriam Goldman Cedarbaum had refused BA leave to appeal against her ruling that Virgin could proceed with three anti-trust claims against its larger rival. Judge Cedarbaum dismissed five of Virgin's claims against

BA in January, but allowed a further three to stand. The claims relate to the so-called "dirty tricks" campaign which Virgin alleges BA carried out against it. Virgin said yesterday that

the discovery process would begin this week, allowing the airline access to BA documents relating to the case. BA said: "The only thing the judge has decided is that Virgin will now be allowed to try to prove in court what it has alleged in its complaint. We are confident that Virgin cannot do this and we expect the complaint will be totally dismissed in due course. We deny without qualification all of

Virgin's claims. Virgin is also due to begin legal proceedings against BA in the High Court in London in May. Virgin said its case against BA in the UK would allege breach of copyright, breach of confidence and mis-use of confidential information. BA said it will defend its position in the UK courts.

Goode Durrant sale

Goode Durrant, the industrial bolding company, has sold its entire bolding of 10.7m shares (41.6 per cent) in GDM Finance, the Sonth African trade finance company for R2.8 casb a share to Investec Holdings, which will make an offer for the remaining shares. GDM's attributable profit for the six months to October 31 was £324.000 and book

value at that date was £3.18m.

after goodwill write-off The arthroscopy division,

£105.2m (£100.9m).

S&N incurs £5.5m loss

related to £141m goodwill written off to reserves at the time of acquisition plus a £9m deficit on net assets realised on In addition, it had charged £27m against profits to cover a cost reduction and rationalisation programme, along with a restructuring of distribution in to 8 per cent, at £104.7m

Casting and support prod-Operating profits on continuing operations rose 7 per cent to £172.9m (£161.3m). Group turnover edged ahead to £964.6m (£948.7m).

Net cash flow of £38m reduced gearing to zero, and the company was now keen to acquire compatible businesses in "technologically advanced nedical areas", said Mr John Robinson, chief executive, Last month it acquired Homecraft

Smith & Nephew, the

bealthcare group, reported a

pre-tax deficit of £5.5m (\$9m)

for 1994, compared with a £164.9m profit, following a

£150m exceptional loss on the

disposal of loptex, the optical

equipment company.

The group said the loss

aids for the disabled, for £29m. which specialises in equipment for minimal invasive surgery, was affected by bealthcare reform in the US as hospitals beld back from capital spending. Sales grew 6 per cent to

Controversy over the use of pedicle screws led to fewer spinal operations in the US, with the result that sales in orthopaedic implants increased just 7 per cent to £124.7m (£117.8m). Slower turnover in Spain, Italy and France also contained growth in the trauma division

ucts and wound manag performed better, thanks to new lines, with sales rising 14 per cent to £169.5m (£152.4m). and 11 per cent to £147.5m (£135.4m) respectively. The overall operating margin on continuing operations rose

from 17.9 to to 18.2 per cent but continued to be diluted by the gloves division. Mr Robinson said S&N had largely completed its restruct-

margins (selling prices less

scrap prices) are 4 percentage

pointa higher than between

last April and September. The

company expects the more

realistic pricing in its principal

markets to continue for the

due to be sold to British Steel

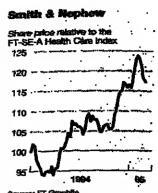
as part of a complex package of

transactions including a £29m

rights issue and a big French acquisition by ASW, made

The Scunthorpe Rod Mill.

rest of this year.



uring exercise, with the reorganisation of the European sales operation and other minor adjustments expected to cut about 200 jobs this year. However, if the company were offered an attractive price for the gloves business, it would be interesting in selling.

The recommended final dividend of 3.26p, up 8 per cent on last year's 3.02p, makes a total of 5.28p (4.91p), a rise the company said was in line with underlying growth.

ASW's SAM stake purchase approved was maintained in the second

Improved margins helped ASW Holdings, the Cardiff-based steel products group, lift pretax profits from £100,000 to £4.2m (\$7m) last year.
The company also said it had

received approval from the French Privatisation Committee for the purchase of 80 per cent of SAM, the steel mesb and reinforcement coil unit of Usinor Sacilor. Final approval from the French government is expected soon. Turnover was up from

£428.5m to £464.3m and operating profits more than doubled to £8.4m (£4m). The pre-tax rise was achieved after increased

restructuring and closure costs of £3.3m (£1.2m). The improvement in steel selling prices and margins, which began in the first half,

operating profits of £10.7m Construction systems cut its annual loss from £4.2m to £1.8m. The 1993 figure included a £1.4m loss from discontinued

operations. The business suffered from delays in the placing of new contracts, including one for the Jubilee line exten-

Nordic fall at Intrum Justitia As a percentage of sales,

Intrum Justitia, the debt collection group, blamed a con-traction in its Nordic markets for a slight decline in pre-tax profits from £13.9m to £13.6m

The company said: "Unfortunately the historically strong Nordic markets continued to suffer from the after-effects of the economic recession." Operating profits from collection activities fell 25 per cent, However, most of its markets

showed a strong performance. A recovery in Switzerland helped German speaking countries increase profits by £1.2m and the UK was ahead despite a £600,000 investment. With the help of good cash flow borrowings were halved

at £6.6m, after spending £2m on a Spanish purchase. Gearing fell from 44 per cent to 20 per cent at the period end. Turnover was down from

TO G

£83.6m to £82.1m, which included £2.75m from an acquisition. Earnings per share were 8.8p (9.3p) but the final gross dividend is being maintained at 2.2p for an unchanged total

Unitech

Unitech, the electronic components and controls group, is seeking a listing on the Tokyo Stock Exchange for Nemic-Lambda, its jointly-owned Jap-anese subsidiary, which provides almost 60 per cent of its profits.

The company will initially be listed on the Second Section of the Tokyo exchange. Unitech will have to ensure that at least 30 per cent of its stock is liquid if it wants to move to the larger and more prestigious First Section, which could force the company to dilute its stake.

Metal Bulletin up

Following progress in all divisions, Metal Bulletin, the international business publishing concern, lifted pre-tax profits 28 per cent for 1994. The £3.25m (£2.53m) result

was struck on sales 14 per cent ahead at £17.4m (£15.3m). Overseas income now accounted for 75 per cent of turnover, the directors said.

Unilever ventures

Unilever is to set up its first two joint ventures in Vietnam. It will contribute two thirds of the \$50m investment and state owned companies the balance Lever Haso in Hanoi will focus on toilet soaps and shampoos and Lever Viso in Ho Chi Minh City will concentrate on deter-gents and shampoos.

British Polythene rises 25%

Shares in British Polythene Industries rose 13p to 506p as Europe's largest polythene film producer announced a 25 per cent increase in pre-

tax profits for 1994, writes Peter Pearse. Mr Cameron McLatchie, chairman, described the year as "the most turbulent trading period

for many years' In the second half, BPI had "experienced considerable increases in raw material costs", with polyethylene, the basic polymer in the group's products, rising from £420 per tonne in June to £730 this January.

Profits in 1994 were £19.2m (\$30m) pre-tax, against £15.4m, on turnover ahead 27 per cent to £268.8m. Last time there was a £1.1m exceptional credit. Profits from continuing operations expanded 30 per cent to £21.6m (£16.7m) with acquisitions in 1994 chipping in £1.31m on sales The chairman agreed It looked as if a peak in

raw material prices had been reached, but sus-pected they would fall a little this year, only to rise again next. BPI had managed to pass on almost all of the increases.

EXPANDING WATER: Lyonnais des Eaux and Northumbrian Water German sale helps Burnfield

increased pre-tax profit of £3.11m for the year to December 31, up from £776,000 and boosted by an exceptional gain of £279,000 from the sale of sur-

Burnfield, the industrial plus land in Germany. controls group, turned in an Turnover was ahead at £39.6m (£38.5m) and all three divisions traded profitably. The company is investigating expansion opportunities in east Asia.

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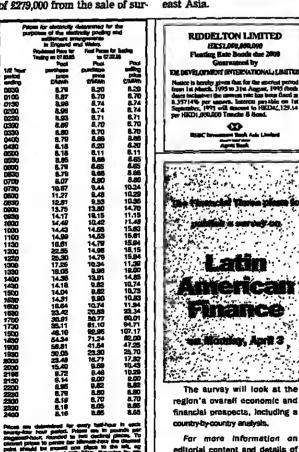
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Men of Lyonnais: Philippe Brongniart, left, and Jacques Petry

By John Ridding in Paris

Lyonnaise des Eaux, as the name suggests, is quite at home in the water business. It derives annual sales of about FFr18bn (\$3.5bn) from the sector and has a 25 per cent share of the French market, second only to its bitter rival, Génér-

But despite its importance, the water business is only one part of the group's activities, accounting for less than 20 per cent of total sales of almost FFr100bn. A diversified conglomerate, its activities take in construction, funeral services and cable television.

With slow growth rates in the French construction and water markets it has sought to find more dynamic sources of growth. At the same time, it has extended tentacles into foreign markets in search of water and building activities. Yesterday's announcement

reflects the second element of the group's strategy. It aims to expand its long-established presence in UK water. In the years ahead of priva-tisation in 1989-90, Lyonnaise

took control of four privatesector "statutory" water companies, which it has merged into two groups - North East Water and Essex & Suffolk Water. It also bought, and then sold, stakes in three of the big 10 water companies. The group now has about 3m water customers in England and Wales, compared with about 14m in France.

But if yesterday's move reflects its determination to develop one of its core activities, Lyonnaise has also been active in new businesses. Ear-lier this year it acquired the cable television operations of the Caisse des Dépôts, the French state financial institution, making Lyonnaise number one in the French cable

Overseas search for Marked out by size as a traditional activities prime takeover target

By Peggy Hollinger

Northumbrian Water's board should not have been surprised at Lyonnaise des Eaux's takeover move. The group is a prime candidate mainly because of its size: it is the smallest of the 10 English and Welsh water and sewerage companies by market value.

Northumbrian, which employs 3,000 people, is the sole sewerage agency for north-east England and it supplies half of the region's

Unusually, 60 per cent of the water goes to industrial users, such as ICI and British Steel, and 40 per cent to domestic consumers; the proportion is normally the reverse of

When privatised in December 1989, Northumbrian was

nine times subscribed - the highest in the industry and early trading saw the shares rise to a 70 per cent premium. However, it has suffered set-

backs. The post-privatisation acquisition of Amtec, an underground pipe maintenance business, was ill-fated. The group had to pull out of the lossmaking division, at a cost of £8.4m. In November 1993, it

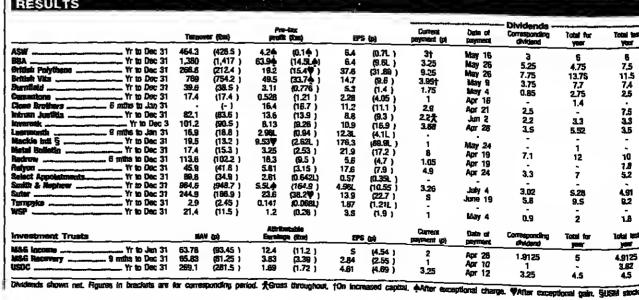
reported a 42 per cent drop in interim pre-tax profits to £22.6m. Profits were also decressed by an £8m fall in investment income.

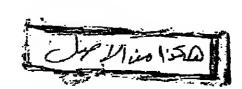
Even the £170m flagship Kielder project in north Northumberland, northern Europe's largest manmada lake holding 44bn gailons, looked like becoming a white elephant as demand dipped.

chip manufacturer Fujitsu in Co Durbam, and a £500m investment on Teesside by electronics giant Samsung, belped alleviate embarrassperformance bas improved, bowever. Last November it offered sharehold-

ers a record 16 per cent interim dividend increase from 8.1p to 9.4p. It also indicated real dividend growth would continue over the next five years. Pre-tax profits more than doubled to £46.1m on sales of £155.7m.

It faces heavy further capital spending because of the government's commitment to the phasing out of sewage dumping at sea by the end of 1998 and over the next 10 years envisages a £1.25bn investment programme.







COMMODITIES AND AGRICULTURE

Russia scotches aluminium rally

By Kenneth Gooding, Mining Correspondent

Washing.

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Aluminium prices on the London Metal Exchange fell by nearly 4 per cent from yesterday's peak of US\$1,933 a tonne to \$1,857 after an official revealed that Russian smelters were stepping up output.

In early trade the price for delivery in three months seemed set for a auhstantial riae. Then sentiment was affected not only by the Russian revelation but also hy the news that Aluminium Bahrain would not repeat this year output cuts it made in 1994. Added to this were fears that US interest rates might rise again to stem the dollar's fall and cut

economic growth.

Mr Nick Moore, analyst at
Ord Minnett, an associate of the Jardine Fleming group, tional trade agreement for alu-

minium production cuts reached in Brussels last year appeared to be unwinding, it had achieved its objective. LME aluminium stocks had been reduced by 1.3m tonnes from the peak 2.66m and would be down by 1.5m tonnes in two months time. The rise in prices that accompanied the stocks fall had proved "too much of a dripping roast for the salivatmg Russians to ignore".

In any event, Russian output, which had risen by 5.5 per cent since September from an annual rate of 2.583m tonnes to 2.724m, was less important than exports, "and the amount available for export has not come down at all". Russian aluminium exports likely to remain at an annual 2m tonnes for some years to come. Meanwhile Rusaian production might continue to rise because said that, although the interna in November 1993 it reached an annual rate of 2.873m tonnes.

ERM turbulence 'likely to boost "green" hedging'

By Jamea Harding

Turbulence in the European Monetary System is likely to hoost trade in the fledgling "green" forwards market, as commercial huyers and sellers of farm produce attempt to hedge against delayed volatility in the agrimonetary sys-

tem, analysts believe. The UK green rate was devalued by 0.2 per cent and guaranteed farm prices were lifted hy a corresponding amount yesterday. Observers of the "green" exchange rate system, the mechanism for translating European subsidies and price supports into national currencies after reference to changes on the open market, said other currencies battered on the European crosses would follow.

"The Italian lira, the Spanish peseta and the Greek drachma have all had it - they are all likely to see further devalua-

COMMODITIES PRICES

LONDON METAL EXCHANG Prices from Amalgameted Metal Tradings III ALLINARUM, 99.7 PURITY (5 per tome

COPPER, grade A (5 per tonne)

Spot: 1.6333 3 miles: 1.6320 6 miles: 1.6266 9 miles

III HIGH GRADE COPPER (COMEX)

PRECIOUS METALS

M LONDON BULLION MARKET

Previous close 376,70-377.10 Loco Ldn Mean Gold Landing Retes (Va

SEVER FIX

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Gold Coins

Prices supplied by N M Rothschild

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389.20-391.65

£ equiv. 228-231

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M ALUMENIUM ALLOY (5 per tones

tions at the end of the next 10-day reference period," on March 15, said Mr Peter Wakefield, semor assistant director at Morgan Grenfell, the investment bank that established the

green forwards market. Green forwards, the only direct bedge against exchange rate movements in the "green" grid, offer traders in farm produce fixed green rates, usually for up to six months ahead.

Regular buyers of the green forward contracts are compa nies involved in the food industry - mainly in sugar, milk, grains and malt. Considering the humpy outlook for the peseta, Spanish companies buying milk and snear, for example, might be looking to iron out some price volatility, Mr Wakefield suggested.

One agrimonetary consultant commented: "Forward contracts are the only sensible way for hedging - there is nothing else in the market".

De Beers' Canadian diamonds fail to come up trumps

By Kenneth Gooding

De Beers, the world's higgest diamond group, is likely to come up empty handed from its involvement in the diamond exploration rush in Canada's Northwest Territories wbereas its international rivals, BHP of Australia and RTZ, based in the UK, bave good chances of developing

new mines there. That was the view of many analysts yesterday after De Beers announced the termina-tion of its Yamba Lake joint venture project in the area saying that evaluation of the results so far suggested "the project does not merit any additional exploration".

Share prices of the two junior partners in the Yamba Lake joint venture - Mill City Gold and Tanqueray
Resources - each fell about 15
per cent after the news. De
Beers first became involved in July last year in Yamba Lake, located in the Lac de Gras area, centre of the Canadian diamond rush. It agreed to arrange up to C\$500m of finance for a mine, should one prove viable, for a 60 per cent share of the project.

Mr Roger Chaplin, analyst at stockbroker T Hoare & Co, said there were now only two, maybe three, projects in the Lac de Gras area that might result in diamond mines. BHP and its partner Diamet had a "99 per cent chance", while the odds for RTZ and its partner Aber Resources were about 80 per cent. Another company, Lytton, was weil-funded and had a great deal of land to explore but its chances must be below 50 per cent, said Mr Chaplin.

De Beers' subsidiary Monopros was exploring on its own account in the area hut its chances of finding a mineable deposit were now "pretty

Spain's gold coast may yield up more riches A 'junior' miner has identified reserves missed by a 'major', writes Kenneth Gooding

ining history is full of stories about valuof stories about valuable mineral deposits that were walked over but missed by big international mining groups, only to be dis-covered later by "junior" exploration companies. It is becoming increasingly possible that the Rio Narcea gold belt in northern Spain - site of probably the higgest current gold

exploration project in western Europe – will join the list. The Anglo American Corporation of South Africa spent about US\$20m between 1985 and 1992 on drilling and extensive underground exploration on the gold belt, situated in the valley of the River Narcea at Carles, near the town of Salas. This is an area that 2,000

years ago provided the Roman Empire with much of its wealth. The historian Pliny recorded that at one time 60,000 slaves were employed in the Spanish gold mines. Today the evidence of their activities remains clearly to be seen. The Romans collected water in trenches stretched across the mountainsides for the hydraulic, or "hushing", mining systems they used.

Anglo defined proven and possible reserves of about 450,000 troy ounces of gold at Carles - gold the Romans missed because it is disseminated in fine grains through the rock, invisible to the naked

A detailed feasibility study was carried out and permits for a mine, mill and flotation plant to treat Carles's sulphide ore were all secured.

Then Anglo pulled out.
"When we considered the size of the deposit and the cost of developing a mine we decided it was not for us," an Anglo official said last week. However, Mr Luis Pevida suggests that Angio gave up too quickly. The South African

group had begun looking at other gold targets in the area hut not in much detail. The company that picked up Anglo's interest for USSom, a newcomer called Rio Narcea Gold Mines, has done no more work on the Carles deposit but concentrated on three others 15km south of Salas - El Valle,

Boinas East and Boinas West -

where drilling has shown sub-stantial traces of gold. Mr Pevida previously worked for Anglo and is now RNGM's exploration manager. His boss, Mr Gene Spiering, the company's vice president, explora-tion, insists that the Rio Narcea gold belt bears a striking resemblance to Nevada's Car-lin Trend, which produces about 150 tonnes of gold a year. half the US output. That is a geological resemblance, of course. The Carlin Trend is in the Nevada desert; Rio Narcea is in beautiful, rugged, moun-

tainous countryside overlook-

fishing rivers.

Already there have been discontented rumhlings from some local environmentalists. However, RNGM is promising

to follow only the best international practices if it reaches a stage where mining is possible. Also, as Mr Peter Miller of RNGM's stockbroker, Yorkton Securities, points out: "Spain is one of the most pro-mining nations on earth, where the exploitation of natural resources usually takes preference over all other forms of

or example, a small village sits astride the gold deposit but if RNGM deposit but if RNGM wants to mine there Spanish law would enable the company to buy the homes at a fair market price and the villagers would have to move. There is no appeal. The Spanish government has granted a \$500,000 subsidy towards RNGM's exploration costs and is prepared to make additional subsi-dies available, equivalent to 30 per cent of projected capital

construction begins.

RNGM can also call on the local expertise of Spain's quoted, but state-owned Asturian coal producer, Hulles del Coto Cortes, which became Anglo's partner in 1988 and still owns 20 per cent. RNGM was listed on the Toronto stock

costs if mine development and

a placing gave 26 per cent to an in 1997. The capital cost would investor group. Mr von Chris-tierson owns 10 per cent via a family trust while the biggest shareholder is Mr Oren Benton, the Denver entrepreneur,

with 28 per cent. Mr Benton recently sought protection under US bankruptcy laws, citing debts of between \$400m and \$500m caused mainly by his uranium trading activities.

Following his hankruptcy Mr Benton left the RNGM board and his Concord group is no longer providing management for the gold company. Mr von Christierson says RNGM has invited some of the Concord management team to join

He says Mr Benton cannot sell his shares without permission of his creditors and, in any case, HCC, the Spanish coal company, has first refusal on them. "There is no question of the shares being dumped," he insists. Mr von Christierson says

RNGM will push ahead with its plans to raise another US\$10m by the middle of 1995. Having aiready established a resource of 1.1m ounces at the El Valle and Boinas deposits, RNGM wants the cash for more exploration - so far only 2km of a 16km prospective area have been looked at - and a bankahle feasibility study. If the study can be ready next year a ing of one of Spain's best exchange in July last year and mine might go into production

half of 1995, and in December oil/NGL production should

scheduled annual maintenance

programmes will he under-

be US\$60m-70m.

Mr von Christierson bopes for annual production of at least 100,000 ounces. "I don't get involved in a project unless the majors [big international mining groups) would be inter-ested in buying it. They are all desperate for output and reserves to replace the gold they produce each year."

This is not the first time Mr von Christierson has benefitted from an Anglo American "cast-off". Some years go after Anglo closed down the East Daggafontein mine in South Africa following 30 years of production, he and some partners bought the property with an eye on the gold left in the slimes dams or waste tips. He added more property and soon had 5m tonnes of reserves enough to kindle Anglo's inter est again and that group took a half share. Today East Daggafontein still holds the rights to slimes dams on the far east Rand and these are being treated by Ergo at its Dagga fontein plant. "It is some of the lowest-cost gold in South Africa," says Mr von Christier-

Will he succeed again at Rio Narcea? Only time will tell but Mr Roger Ellis, editor of the Mining Journal, says: "There seems little doubt that the epithermal deposits in the Ric Narcea gold belt present major

Norwegian oil output forecast to set fresh records

By Karen Fossil in Oslo

Norwegian average daily production of oil and natural gas liquids continued to go from strength to strength and would rise by 11 per cent in 1995 to 2.98m barrels a day, Wood Mackenzie, the Edinhurgh-based energy consultancy, said in a fresh assessment issued yesterday. It would hit a record 3.3m h/d in December, WoodMac forecast.

Last month, Norway's Indus-

try and Energy Ministry pre-

dicted that crude oil output would average 2.8m h/d this year and rise further to 3m h/d in 1996. That compared with December budget forecasts of

2.6m h/d for both years. Total North Sea output, including 2.53m h/d of production from the UK, was predicted by WoodMac to average 5.74m h/d in 1995, which would be 8 per cent up on the 5.34m h/d rate achieved last year. The consultancy said Norwegian production daclined

slightly in January after

increasing to 2.94m b/d in the final quarter of last year but forecast that output would return to that level sometime

This year's projected increase in Norwegian production was attributable largely to new fields coming on stream, hut the existing main fields, such as Statiford and Gullfaks, both of which performed above expectations in 1994, were expected to continue producing

"The combination of sus-

MEAT AND LIVESTOCK

I LIVE CATTLE CME (40,000 to; carta/los

III LIVE HOGS CME (40,000fbs; canta/fbs)

ADT

73.475 -0.125 73.925 73.125 42,222 66.475 +0.225 68.875 66.225 18,741 63.450 +0.150 63.850 63.200 7,245 84.875 +0.175 64.750 64.450 3,897

39,475 - 39,500 39,200 12,667 1,694

tained output from major fields taken, WoodMac saw producplus significant volumes of tion falling to a year low of new production is expected to 2.71m b/d. result in a substantial increase Last August output fell 23 in output during the second

average 3.3m h/d," WoodMac During the March-July period Norwegian output was expected to fluctuate between lised crude oil would rise by 10 2.80 and 2.93m h/d but in August, when the bulk of per cent in 1995 as NGL/con-

per cent as a result of field maintenance, deferring an esti-mated 25.3m barrels of oil production. WoodMac said this year's pattern of production was expected to be very similar to that of 1994, except that stabi-

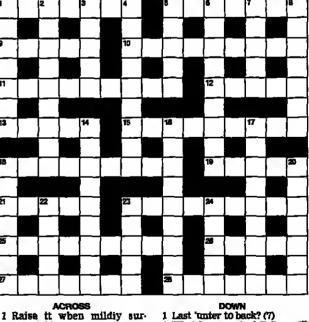
densate output recorded only a

minor increase.

JOTTER PAD

CROSSWORD

No.8,704 Set by QUARK



1 Raise tt when mildiy surprised (7)
5 Clive? He could be providing

the transport (7) 9 A little bit raised by the club? 10 Feel sorry about old measure being distasteful (9)

prod after prod (9) 12 When lunch might be taken to appease (5) 18 World shortage when lacking leader (5) 15 Away without cash showing

18 Field worker contributing to the drinks? (3-6) 19 Unusual tour right in Cornwall (5) 21 Works to prepare dough, we hear, for the essentials (5)

23 Film I need to rewind; it's fraught with danger (9) 25 Is series of lectures following degree just talk? (9)

26 The primitive adders (5) 27 The Tate is largely going for 28 Centre of operations (7)

2 What happens in fall first off? Listen in to conversation (9) 3 Proportion of speech without extremities (5) The public's inclination for the UN agency? (5,4) 5 Five paid out for flat (5) 6 Small beer? (4,1,4)
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oratorio (5) 8 Make petition in aim mostly a delightful surprise (7)
14 Drop of the hard stuff greets sound quality (9) 16 Binding is something for tving torn net (9)

17 Exert ban orders round university showing excessive spirit? (9) 18 Exhibit picture with shadow being downcast in appear-

20 I'm told about eastern kind of dancing (3-4) 22 Art supporter (5)
28 Drunk before Christmas gives greeting (5)
24 A certain amount of the

Solution to Saturday's prize puzzle on Saturday March 18. Solution to yesterday's prize puzzle on Monday March 20.

snooker set up (5)

O(MHODI)								_				_			_	
SE META	LS		Pred	cious	Met	als e	cont	inue	d	GRA	INS .	AND	OIL	SE	EDS	3
NDON MET		LANGE	M GO	LID COOLE	X (100	Troy a	L.; \$/tm	y oz j		M WHE	AT LCE	Æ per	(enno			_
es from Amalgan				Sett	Day's	High	low	Open	Vol.		Sett	Cycles Spales	High	Low	Open	,
LUMBHUM, 99.7	Cash	3 miles	Mar	378.9	+2.4	379.Q	379.0	3	-	Mar	100.75	+0.05	108.75 110.25		235 1,964	
a	1829-30	1864.5-5.5	Apr	380.2	+2.4	380.A 384.0	381,4	75,223 30,052	22,691 846	Jed	110,30 111,25	-0.20		110.85	323	
lous Now	1864-5	1896-9 1933/1857	Acq	388.5	+25	387.0	\$85.5 389.0	16,485	128	Sep Nov	98,80	+0.05	99.50	99.50	233 1,986	
Official close	1889-70	1906-7 1858-60	Dec Total	394.2	+2.6	394.4	392.4	12,668	24.280	Jeen Total	101.35	+0.05			397 5.367	
n fest.	234,105	1000-00		ATINUM!	NYMEX	(50 Tr					EAT CET	(5,000	bu mbc	cents/		,et
i daily tumover Litingolicki ALLC	58,458 DY 65 per tonne	٠ .	Apr	407.8	+4.0	406.4 406.5	404.5	16,967	2,910 1,242	May May	357/6	+7/2	358/8 350/5	353/0 346/0	3,836 35,356	1
e	1825-35	1855-85	Out	408.3 411.0	+4.2	410.0	498.0	6,198	223		350/0 328/6	4214	330/0	325/2	25,959	5
ious Now	1850-60	1880-90 1865	Jep Total	413.8	44.7	410.5	410.5	635 25,205	306 4,686	Sep Dec	3334 3450	+3/2	335/2 348/0	3424	2,118 1,963	
Official close	1845-50	1875-80 1850-60	m PA	LLADIUM	NYME	X (100	Troy or	4: \$/do	y OZ.)	War Total	34814	+3/0		-	21 80,129	14
s int.	2,784	1000-00	Mar	153.35 153.85		154.75 154.90		5,712	41 247		ZE CBT	(5.000	bu min:	COME		
i daily turnover EAD (5 per tonne)	333		Sep	154.60 155.90		155.75		589 105	58	May	235/6	+3/2	235/8 246/0		11,747	10
0	585-7	600-2	Total	13480	~15			6,614	344	Jal	249/0	+3/2	251/4	245/4	93,821	11
lous /low	590-2	605-7 610/578	_	VER CO						Sep Dec	253/2	+2/4	2394			13
Official	594-5	505-6	Apr.	446.0 446.1	+63	445.0	438.0	355	145	Mag Total	26376	+34	288/0	261/4	8,219 310,480	57
n kut.	38,578	550-0	May	450.3 455.6	+8.3	451,5 456,0	447.0	15,468	17,992	M BAF	LEY LC	E (2 pe	(अस्याध			_
i daily turnover ICKEL (S per tora	14,853 rmi		Sep	460.5 468.3	+8.3	460.0	452.5		380 367	May	103.15	+0.40 -0.15	103.00	03.00	94 215	
0	7595-805	7725-35	Tutal	406.3	+6.3	-100		34,584	21,550	Sep	87.25		99.25	99.25	102	
lous Now	7740-50	7879-80 8050/7600								Har.	99.55 101.20	+0.10 -0.30	34.25	8472	71	
Official .	7810-15	7945-50 7810-15								Mar Total	102.90				55 845	
n Int.	59,044	7510-15	ENE	RGY							ABEAN	इ.स. इ	.000bu r	nin, cen	6/600 b	uđ
i daily tumover Bit (5 per tonne)	14,581		E CR	UDE OIL	NYME	X (42,0	00 US	als. \$	(јетас	May	563/0 574/2	+9/2	568/4 579/4	555/0 565/0	4,734 52,492	14
e to her many	5240-50	5330-40		Lapor	Days		Low	Open	Vol	36	584/4	+10/2	\$89/4 \$92/4	575/0 579/4	40,082 5,413	4
ious Aow	5435-45	5530-40 5520/5310	Jer	16.57	-0.06	18.65		88,697	31,511	Aug Sep	588/0 590/2	+9/5	594/4	553/7	3.435	
Official	540\$-10	5500-05 5370-80	Jany Jan	18.39	-0.03 -0.04	18.45 18.28	16.35	54,852 40,278	17,406 7,494	Neger Testad	596/2	+10/4	603/4	588/4	21.241 129,930	Z
close .	19,603	3370-90		16, 12	-0.01 -0.02	18.13	18.07	12,321	3,320 1,518	# SO	ABEAN	OFF CE	37 (60,0	OORS:	conts/	7
i daily turnover INC, special high	3,11S	tomel	Acq. Sep	16.01 17.94	-0.02	17,94	17.92	24,271	4,402	Mar	29.12	+0.89	29.20	25.28 25.89	11,551 36,857	3
and operate into	1032-8	1057-8	Total	UDE OIL	PE &	Second		357, 149	73,781	Jel Aug	27.26 26.95	+0.91	27.35	26.35	22,061 6,367	2
ious Now	1043-4	1 058-9 107 0/ 1047	- 0	Latest	Day's			Open		Sap	26.70	+0.90	3B.80	25.90	5,918	
Official	1045-6	1089-70 1052-3		price	change	16.91	16.80	62,161	Vol 16,838	Cct 7etal	26.AT	+0.92	26 55		104,224	14
ciose n int.	101,794	Tung-U	Apr.	16.85 78.75	-0.01	18,77	15.72	38,386	8,515		ABEAN					1
i daily turnover OPPER, grade A	22,462 (\$ per tonne)		ردستان آمول	16.70 16.52	-0.05	16,72 16,63	16.57 16.58		1,867 2,196	Mer	153.3 157.9	+1.0 +1.2	155.5 160.3	151.5 155.5	3,395 40,885	ì
	2897-8	2882-8	Ang Sep	16.58 16.55	+0.02	16.58	16.54	6,487	220	Awa	152.4	+1.1	164.5 156.5	160.6 162.8	7,615	3
ious how	2924-5 2924/2923	2994-5 2900/2875	Total					159,062		Sep Oct	186.5 168.2	+1.5	188.5	165.0	5,532 8,413	
Official close	2924-5	2898-00 2878-9	HE	ATING O		X ACD	U US Q	Onen	- Daney 5	Total					104,215	17
n int.	234,003			price	change		Low	let	Vol	Mar PO	335.1	LLE IS	(onne)			_
daily turnover ME AM Official :	66,163 E/S rate: 1.65	15	Apr	47.00 47.30	-0.41 -0.25	47.40 47.60		34,229 19,198		Apr	210.5	-19.5	320.0	303.0	675	
ME Closing E/S	rate: 1,6395		Jep. Jel	47.85 47.95	-0.18 -0.18	47.75 48.05		11,450 8,605		پيدا مين	344,5 250.0	-1 5.5	340.0	340.0	74	
.6333 3 mile:1.632			Ang	48.80	-0.08	49.75	48.55		42	ted Nov	105.0				\$11	
IGH GRADE CO		Dpcn	Sep Total	49.40					17,314		GHT (8	FFEX	LCE (S)	0/inde	s point	-
Close change	ı High lere	let Yel	■ GA	S OIL PE	(\$/torve	*				Har	2155	+30 +20	2150 2160	2130 2136	1,228	
136.20 -0.50 133.50 -0.85		7,623 1,866 1,625 105	_	Sett	Day's change	Med	Low	Open	Vol	May	2150 2125	+20	2135	2120	532	
131.90 -0.85	133.70 130.70	22,838 8,542	de.	148.00	+0.50	146.50	145.75	30,796	5,143	Jei Det	1875 1 93 0	+15	1575	1870 1828	932 843	
130,19 -0.95 128,70 -0.70	131.80 131.80 130.40 127.70	601 27 4,885 559	Apr	147.50 147.50	+0.90	148.25 148.00	147.50	28,390	3,883	Jeec	1775	-	1785	1785	4,075	
127.00 -0.85		377 4 48,778 11,302	May	147.50	+0.75	148,00	147.25	9.600	1,505	Total	Close	Prev				
		40/10 11/200	Jul Jul	149.25 150.75	+1.25	149.25 150,75	150.75	4,796 2,102		BA	2072	2066				
	.===.		Telzi					100,975	13,719							
ECIOUS I	MF1 AT2		H NA	TURAL G		MEX (10.	000 mm		magailt)							
ONDON BULLIO	M Rothschild	<u> </u>		Letest	Change Change	High	Low	Spen let	Val							
(Troy oz) \$ (orice £ eq	july SFr equily	Apr	1.434	-0.014	1,440			13.349	_						_
)-378.60)-377.00		May		+0.003	1.470		17 913 12 675		Tea	Tea Brok	w's As	eachite	n reno	rts. bes	st e
ing for 37	6.60 227.		.lul	1.570	+0.006	1.572	1,555	13,388		0000	Hauor	ing E	st Afr	icans	met i	act
High 379,20	B,85 230.0 379,60	Out about 1 and	Aug Sep		+0,008 +0,006		1.620	11,524	419	bright	and at fu ter type:	. Medi	ums, h	OWEVE	lost a	2 1
1 OW 378,40	-376.80		Tetal					184,192	24,714	Denc	e with	damer	sorts 8	****	esier C	N.
Ldn Mean Gold	I I andiero Rietz	55 (Vá US\$)		NEADED NEX (42,00)			(.2 th s			NG.	good ma	क्षामा १	12p/kg	., med	WT 89	ועקו
oth	26 6 Monus	5.00 he5.50		Later				Open		this t	neek wa	s 15 ip	for a l	Survey (pot.	
nths4.4				price	cheege		L##		Vol							
r Fix	p/troy cz. 267.90	US cts equiv. 441.90	Apr	55.60 55.55	-0.14 -0.11		5.25	24,105 18,500								
anths	271.20	447.00	ha	55,70	-0.13	55.05			3,870 2,373	}						
artine	275.90 288.50	454.00 489.50	Jul Aug	55.60 55.40	-0.22 -0.02		55.20	2,072	293							
er _.	200.00	£ equiv.	Sep	54.55	-0.22	55.00	54.50	2,079	82	J						

1		EAT LOE			_ 36	EDS	,	■ coc	DA LŒ	E/torm	a)		
4		Set	Day's			Open	Wal		Sett				0
WeL 3 -	Mar	100.75		108.75		235	12	Mar	1021	-23	1035	1022	
23 22,691 52 846	May	110,30 111,25		110.25		1,954	115 30	May	1014	-21	1028	1011	
55 128	Sep	98,80	+0.05			233	13	Sep	1023	-17	1034	1022	1
47 1 58 4	Jan .	99,80 101,35	+0.05	99.50	99.50	1,986	1 p	Dec	1025	-14	1036	1024	
83 24,280	Total					5,367	106	7 total					10
y (02.) 57 2.910	Mary Wild	ST/E	+7/2	358/8		3,836	1,046	Mar	1396	·15	1428	1400	-
98 1,342	Mary	350/0	+54	350/6	346/0	35.356	8,571	No.	1421	-15	1451	1416	
14 223 35 306	Jai Sep	328/6	+2/4	330/0	325/2	25,989 2,118	5.907 252	Jul Sep	1448	-13 -13	1488	1437	
05 4,581	Dec	345/0	+370	348/0	3424	1,963	281	Dec	1472	-13 -13	1484	1470	
dray az)	Total	3484	+3/0		•	21 90,129	14,150	Mar Total	Ings	-13			8
28 41 12 247	_	ZE CBT							ON (ICC	O) (SOF		<u> </u>	_
88 58 05 ·	May	235/6	+3/2	233/8		71,747 103,314		Daily			7164 1041.09		
14 344	Jal	249/0	+3/2	251/4	245/4	93,821	11,904						
roy oz.)	Sep Dec	253/2	+3/5	2396		15,87 <u>2</u> 71,171	3,155 13,583		PEE LCE	<u> </u>	_	~~~	_
55 145	Mar Total	263/6	+34	288/0		8,219 310,486	439 57.218	Mar	3218 2173	+18	3214 3175	3165 3115	1
52 17,992 58 1,805		LEY LC	E (2 pe	torene				Sep	3103 3063	+13 +5	3105	3050 3025	
04 380	1iter	103.15	+0.40	:		94	-	Nov	3035	+2	3012	3010	
54 367 84 21,868	Sep	103.65 97.25	-0.15	103.00	03.00	215	5 5	Total	3018	+10	wi		1
	Hav	99.55 101.20	+0.10	99.25	99.25	407 71	5	E COF	FE C	CSCE (37,5001	bs; cor	-
	Mar	102.90	-0.50			55		Marie .	179.65		181.50 181.75		
	Total	ABEAN	C CUT &		min com	945 	19	Jac	180.65	-0.10	182.50	178.00	
	Uer -	563/0	+9/2	568/4		4,734		Sep	180.90 179.80		182.75		
\$/berrel)	May	5742	+9/4	579/4	5550	52,492	14,997	Mar Total	178.45		178.70		
t Vol	Jel Aug	584/4 588/0	+10/2	\$89/4 \$92/4	579/4	5,413	376		FEE (CC) (US c	ants/po	und)	•
87 31,511	Sep	590/2	+9/5	594/4 603/4	582/2 588/4	3,435	1,785	Mar 3			Price		_
52 17,406 78 7,494	Total					129,528	27,590	Coresp. de 15 day 8			165.54 158.84		
04 3,320 21 1,518		ABEAN		_					PREMIE.	M RAY			
71 4,402	Mar	29.12	+0.89	29.20		11,581 36,857	3,824 6,272	May	14,80	+0.03			
(0 73,78)	Jul Aug	27.26 26.95	+0.91	27.35		22,061 6,387	2,569 339	Jul Oct	12.73	-0.09	:	-	
90	Sep	26.70	+0.90	35.80	25.90	5,918	234	Jan	13.25	:	:	-	
t Apl	Cet 7etal	26.AT	+0.92	26 55		6,800 104,224	31 14,127	7otal					
61 16,838 86 8,515		ABEAN	MEAL	CST (1	00 ten	s; \$/ton			TE SUG	_	_	_	_
08 1,857 97 2,196	Her Hay	153.3 157.8	+1.0	155.5		3,395 40,888		Nay José	385.1	-4.5 -3.7	390.8 377.0	385.5 372.8	
87 815	340	152.4	+1.1	164.5	150.5	25,430	3,254	Det	348.5	-27 -28	350.0	345.5	
31 220 62 30,675	Aug	186.5	+0.9	158.5	162.8	7,615 5,537	412 343	Mar	336.2	-28	-	-	
/US galls.)	Del Total	168.2	+1.4	170.2		8,413 104,215		Tribal	335.8	-22			2
en 4 Vol		TATOES	LCE	/lonne)				E STIG	AR "11"		_		_
29 9,958	Mar	335.1		300.0	303.0	675	157	May	14.55 13.31	-0.04 -0.14	14.58 13.38	14.42	
98 4.122 50 1,114	May	210.5 344.5	-19.5 -1 5. 5	-	340.0	74	132	Det	1271	-0.15	12.78	12.68	3
888 30	Jeen Test Nov	250.0 105.0	:	:			:	Mary	12.44 12.32	-0.11 -0.11	1248	12.43	
76 42 119 348	Total	1000				\$11	178	Jul Total	12.09	-0.13	•	-	14
21 17,314		SGHT (B							TON NY	CE (50,	000lbs;		
	Mar Apr	2155 2150	+30 +20	2150 2160	2130 2136	1,228	28 87	Mar			107.97		
r. Vol	May	2125	+30	2135	2120	532 932	31 23	May Jul	105.17	+2.00	105.17	100.25	1
96 5,143	Jul Det	1875 1830	+15	1875 1840	1870 1828	843		Oct	84.12	+1.39	84.20	87.90	
90 3,883 90 1,821	Jess	1775	-	1785	1785	114 4,076		Dec		+0.75	77.23 78.15	77.50	
00 1,505	Total	Close	Prev			-		Total			~ ~-		7
96 218 02 17	明	2072	2066						NGE JU			_	_
75 13,719								Mar Stay	93.10 97.40		85.60 100.40		
S/mmBlu.)								*	101.25	-1.85	105.00	101.25	
et £ Vol								Sep Nov	105.00 105.50	-10E	107.75 107.50	107.00	
03 13.349								Jan Total	107.75	-1.50	109.25	106.50	,
13 3,882	Tea						(rota.					•
75 1,921 88 650	The	lea Brok	er's As	SOCIATE	deans	met :	active						_
85 1,028 24 419	dems	and at fi	the firm	to de	Per rat	es espe	ecially	Open	ME DAT	end	Volume	data	,
24 419 92 24,714	penc	ter types	damer	sorts :	250 e	eser u	NOCE-	contra	scts trac	ed on	COM	X, NY	W
	tons	best av	elabie	160p/k	g. nom	geog	1240		CME, (- W W.E		•
	J Joyu n	good ma nedium i	80p/kg.	The h	ghasij	DUCA 18	alised					-	-
en t Vol	this v	week wa	s 167p	for a	Burrand	po.							
05 12,724								IND					
00 7,061 13 3,670							- 1		TERS (E				_
13 3,870 35 2,373	1						!	Mar 2337		Mar 3 346.5		45,4	,
72 293											1007	~~	

			-	4 5 550	rive.	-	*	DO 4-10		~~	-	VM DCT	
	1395	-15 -15	1428	1400	81 43,547	57	Apr	39.475 45.675			39,200 45,300	B.606	
2	1448	-13	1488		12,635		ANG			44,250		2,265	
ec	1455	-13	1478		5,886			41.150				2,446	
-	1472	-13	1484	1470	5,797 8,340	114	Dipt:			41,600		2,425	
-	1790	-20			87,178		Total	41,000		41.000	4100	22,505	
COC	COA (ICC)	O) (SOF	's/torr	NO)			M PO	RK BELL	JES CA	E (40,	000lbs;	Cents/	be
- 3			Prior	,	Plan.	dey	Mar	41.750	-0.525	42,800	41,700	997	,
- Y			1041.09		102		May	42,825	-0.175	43.550	42,850	4,822	
											42,800	1,789	
1 00	TEE LOE	(A) ton	10 j				Aug	51.000		47.075 51.000		73	
iger .	3218	+15	3214	3165	853		No	50,000				9	
7	2173	+18	3175		15,750		Total					7,922	2,7
1 4	3103 3063	+13 +5	3105	3050 3025	8,075	433 75							
	3035	+2	3012		1,220		LON	NOON	TR	ADE	DO	PTIC	NC
100	3018	+10			199			price \$					
obil 			-		22,896	1,726		LIMINIUM					
_	THE 'C'			_				I LME		Just	Sep	JUT	5
	179.65			178.40			2750 .			179	136	46	11
by Y	179.75 180.65				18,585		2800 .			147	113 75	63 109	12
	180.8C		182.75		4,580	118		PPER			,,,	100	12
4 C	178.50			179.50			Grade	A) LME		Jun	Sep	Jun	Se
der Obel	178.45	+0.45	178.70	175.70	454 87,047		1700 .			_ 209	238	48	7
	TEE (CC)	2715	arts/re	word)	at p	42	1800 .			. 147	163	84	11
_	100	1100	_									135	
ter 3 orap. d	orber .		Price 165.54		Pres.	7.71		HEE LC		May		May 73	Ji 19
5 day 1	PART 200		. 158.B			7.79	3050			214	272	91	21
	PREMIL				(cents	(bs)	3100 .					111	24
	14.80	+0.03			861			COA LCE		May		May	
ď	13.75	-0.23	-		2,360		1025			_ 31	55	42	8
d	12.85	-0.09	. :	:	:	:	1050 .			. 22 . 15	45 37	58 76	9
	13.25				2,000		■ BR	ENT CHI	DE IM			Apr	
otal					5,221		1650 .			_ 35	71	6	5
WH	TE SUG	UR LCE	(S/tor	ne)			1700 .			_ 12	48	25	8
lay .	385.1	-45	390.8	385.5	10,852	579	1750 .			_ 2	39	66	12
DO.	372.0	-3.7	377.0		6,829		1.06	NDON	SD	OT	MAR	KET	2
et ec	348.5 338.8	-27 -28	350.0		2,595 215			NDE OF					+01-
<u> </u>	336.2	-28	_		808		- 05	DUE CAL	CODI	-	an repri	_	_
lay .	335.8	-22			221		Dubel				8,47-6,		+0.12
ped .					21,123			Blend (di			6.74-6. 6.84-6.8		+0.0
_	AR 717				_	_		(tpm est			8.55-B		-0.03
iay d	14.55				54,225 35,510		E OK	PRODU	CTS M	ÀE pron	opt della	ery CIF	(DIE
et	1271	-0.15	12.78		33,758		Downk	um Gasol	lne.	_	172-13	_	-1
	12.44	-0.11	1248	1243	11,973	1,048					147-14		- •
lay .	12.32 12.09	-0.11	1242		2,863		Heavy	Fuel Of			107-10		+5
uf otal	1219	-0.13	•		141,566		Naphi	M Fuel Off ha		3	#174-17 # 170-17		+2.5
	TON NY	CE 190	000@na		-		Jes fu	-		•	181-15		70.0
_				_		10.0		m Argus.	Tel Lor				
lar lar	107.87	+2.12	107.81	104.30	25,550	7.159	m OT	HER					
	101.85	+2.00	101.55	100.25	17,074	5/27	Cald I			_	\$378.40	_	+1.5
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Treasuries hit by further fall in dollar

By Maggie Urry in New York and Graham Bowley In London

The continuing decline in the dollar and rumours that the Federal Reserve would call an emergency meeting of the Open Market Committee to discuss the plight of the currency npset the US Treasury bond market yesterday, taking around a point off the long bond. The Fed denied later that

such a meeting was planned. With the dollar trading at Y92.50, down from Y94.05 late on Friday in New York, at midday the benchmark 30-year Sury was down 를 at 100% to yield 7.608 per cent. At the short end of the market, the two-year note was 🕯 lower at

992, yielding 6.977 per cent. Traders feared the Fed might raise interest rates to make the currency more attractive to international investors. That might jeopardise the expected economic "soft landing" where growth slows, and inflation remains low, without the economy falling into recession.

However, dealers noted that it would be unusual for the Fed to use interest rates to defend

By Corner Middelmann

capital.

BONDS

Europond issuers took cover

amid turmoil in the foreign

exchange markets. Only the

Australian dollar sector, which

attracted three horrowers.

appeared to offer safe access to

Nomura led two Australian

dollar deals largely targeted at

Japanese investors. One was a

A\$100m issue of three-year

deep-discount bonds for the

Treasury Corporation of Victo-

ria, paying a 4.5 per cent cou-

According to one syndicate

pon and issued at 87.96.

INTERNATIONAL

the currency. The next scheduled meeting of the FOMC is on March 28.

The Shadow Open Markat Committee, a group of academic and husiness economists, said the Fed "cannot do much to stop the decline [in the dollar] and should not try". The group said if thera were a further tightening in interest rates, a recession naxt year

would be more likely. The market has little economic news to contend with this week, until the crucial employment data are published on Friday. The numbers are expected to show a slight decline in the unemployment rate after the surprise increase

in January.

Some signs of a still strong economy came in statistics for privately-owned housing completions from the US Department of Commerce and Department of Housing. These rose in January to 1.41m. up 1.6 per cent on the December total of 1.39m, itself upwardly revised from 1.35m.

■ Investors flocked to the safehaven of German government

official, there is significant

appetite for Australian dollar

assets in Japan and investors

felt the Australian dollar could

be getting close to its low

Volkswagen Intarnational Finance issued A\$100m of 9.5

per cent five-year bonds, also

via Nomura at 99.50. The deal

was aimed at retail investors

attracted by the high coupon,

espacially compared with

Belgium'a Krediethank issued A\$100m of 10 per cent three-year bonds. The deal was

targeted at investors in the

Benelux region attracted by

the high coupon, said lead

in the Italian bond market, the

Defying volatile conditions

mestic instruments,

manager Daiwa Europe.

inst the yen.

bonds yesterday as other European government bond mar-kets dropped on the turmoil in the foreign currency

Dollar weakness and tensions within the European exchange rate mechanism following the devaluation of the Spanish peseta and the Portuguese ascudo pushed the D-Mark to record levels against other currencies, boosting Ger-

GOVERNMENT BONDS

Bund futures on Liffe rose by 1/2 point before coming off later in the session on the back of US Treasury weakness to end up 0.29 at 91.11.

The hund yield spread below US Treasuries, which closed to parity last week, widened back to 23 basis points. Traders said there were large bond flows in both the cash and futures markets across all

markets. "Trade was not all one way but the general trend was switching into the safety of Germany," said one dealer.

SWISS FRANCS

ALISTRALIAN DOLLARS

Kredietbank Intl. Finence Treasury Corp. of Victoria-Volleswagen Intl. Finence-k

issue size to L750bn.

Final terms, non-catable unless stated, Yield spread (a

10.8 per cent four-year bonds

hy L150hn, bringing the total

rumoured to he planning a

Y10bn to Y15bn issue of 10-year

The Republic of Ireland is

■ UK gilts fell in late trading after sterling came under

Gilts had held up well early in the session on the view that sterling, which is not a member of the ERM, was isolated from the mechanism's proh-

However, the long gilt future on Liffe, which had climbed % point by midday, fell in later trading to end the session down # at 101#.

Traders have now fixed their attention firmly on Wednesday's monetary policy meeting between Mr Kenneth Clarke, the chancellor of the exche-quer, and Mr Eddie George, the governor of the Bank of

■ The French government bond market was one of the hardest hit in Europe, with the yield spread over hunds moving out to 78 basis points from

69 basis points. The short-end of the French yield curve saw a particularly strong pick-up in activity. The spread between the three-month June Pibor con-

NEW INTERNATIONAL BOND ISSUES

as lead manager for the deal,

Moody's Investors Service

has placed the long-term rat-ings of Internationale Neder-

landan Bank - Aa2 for its

which is expected today.

Dec.1999 1.50

1.375

Apr.1998 Mar.1998 Mar.2000

101.85

87.955 99.50

6.75

4.5Q# 9.5Q#

European Investment Bank honds yielding around 4.5 per increased its recently issued cent. Morgan Stanley is tipped

contract widened to 172 basis points from 142 points on Friday and 112 points a week ago. However, while overseas investors were aggressive sellers of two-year French paper domestic institutions, attracted by yields of more than 7.3 per cent, were prepared "to soak up" these bonds, said Mr Mr Steve Major of Credit Lyonnais

The French market is very good value historically but unlike in past ERM devaluations, money is now staying in the D-Mark," he said. Other dealers said yester-

day's movements were mainly futures-driven and there could be a squeeze beck upwards in prices if sentiment changed.

■ Spanish government bonds also dropped sharply following the 7 per cent devaluation of the peseta and a rise in the Bank of Spain's Intervention

Italian government honds fell as the lira weakened and with continued concern over the fate of the "mini-budget". The yield spread over Germany

Merrill Lynch Capital Mids.

SCI/CSFB/Deutsche/S.Pagio

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Price Indicae

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Up to 5 years (24) 5-15 years (21) Over 15 years (9) Irredeemables (6)

Up to 5 years (2)

Over 5 years (11) 8 Af Stocks (13)

Nomura International Nomura International

deposits and senior debt, and

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under review for possible

downgrade following the

announcement that ING plans

to huy substantially all of the

businesses of Barings, the

ET FIXED INTEREST INDICES

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Dey's change %

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-0.02 -0.19 -0.18

118,79

139,78 154,57 179.41

Mer 6 Mer 3 Mar 2 Mar 1 Feb 28 Y1 ago High* Low*

failed UK merchant bank.

ad by lead manager, #Unitated

Australian dollar sector attracts three borrowers

daily intervention rate by 0.5 percentage points to 8.55 per cent yesterday morning but the hond market's reaction to that and the devaluation was hardly positive. Government bond futures on the Spanish futures exchange fell by more than one point on the day and yields on the 10-year govern-

Until the Bank of Spain acts premium for holding Spanish

1.32 2.38 0.83 2.38 1.76

vol mod.

2.53 5 yrs 2.18 15 yrs 4.05 20 yrs 1.47 | hred.†

Up to 5 yrs Over 5 yrs

Mr Marco Pianelli, an econo-

Devaluations offer little respite to Iberian bonds

By Graham Bowley and nner Middelmann

Yesterday's devaluations of the Spanish peseta and the Portu-guese escudo are unlikely to hring any respite to the woes of those countries' government bond markets.

With an eye on continuing political uncertainty and rising inflation, which is likely to be boosted further by the devaluations, and with a feeling that this latest move is a further setback to the countries' chances of joining a single European currency, both overseas and domestic investors remain wary of the Iberian

markets. "The Spanish bond market is one that people will not buy until they see better value in it from both a currency and bond perspective," said Mr Stephen flott, fund manager at Flemings Investment Management in London.

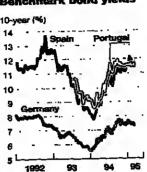
"Investors will only begin to buy again if the (yield) spread over hunds widens out and if the Bank of Spain raises interest rates to head off future inflation, he said. The yield premium over German government bonds is currently 490 basis points, up from around 435 a week ago, and he can see it breaking through the key 500

basis point level soon. The Bank of Spain raised its ment bond nudged 12.27 per

more decisively on interest rates, said Mr Bott, investors "will continue to demand a

assets".

Benchmark bond yields



mist at the Nomura Research Institute in London, agrees. "There is an underlying problem, which is that short-term interest rates do not offer much protection in an environ-ment like this," he said. "You have to expect the peseta to remain under pressure and the spread on honds to reach higher levels."

He also expects there to be a steepening of the yield curve, with the yield on longer-dated maturities rising as demand for this paper falls off.

Many foreign investors, who tended to be holders of longerdated paper, fled the Spanish market during last year's bear market conditions, leaving domestic investors to shoulder the hurden. Domestic investors, however, are now reluctant to take on more, he said.

"The long end [of the yield curve] is fragile," he said. Domestic investors are not looking to take more [bonds] so

yields could rise a lot." Others are more optimistic. "On any sensible measure of medium-term value, Spain is relatively cheap. But we are in phase where markets are behaving irrationally towards the medium term, and are driven instead by short-term sentiment," said Mr Ceris Williams, director of fixed interest at Rothschild Asset Manage-

Mar 8 Mar 3 Yr, ago Mer 6 Mar 3 Yr, ago

6,62 8,65 8,65

8.62 8.62

Mar 2

6,57 7,14 7,14

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6.77 8.87 8.79

Feb 28

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Mar 6 Mar 3 Yr. ago

2.34 3.71

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Mer 3

Mar S Mar 3 Yr. ago

"It is almost impossible to pick the bottom," he said. "You have to be willing to take the medium term view, otherwise its advisable not to dabble," he

Portuguese bonds did not fall as sharply as Spain's, though dealers attributed this partly to the market's poor liquidity. The benchmark 10-year bond fell by 0.65 points to 99.20, vielding 12.01 per cent.

"Considering the scale of declinas in Italy, Spain and Sweden, it didn't fall enough," said Mr Alan Bate, who trades Portuguese and Spanish gov-ernment bonds at UBS. "1 think Portugal will fall further to catch up with the others," he said, adding that Portuguese honds have to offer investors a liquidity premium.

But while the market has been dogged recently by political uncertainty ahead of general elections later this year, some investors feel Portuguese bonds may be a better bet than their Spanish counterparts.

"Portugal is more attractive than Spain: monetary policy is relatively tight, and inflation is lower and set to fall further," said Mr Paul Griffiths, global hond fund manager at GT Management. However, "Portugal is very much suffering a contamination effect from Spain". which is overriding its funda-

mental advantages, he says. While his bond fund is heavily overweight in the core European markets - and has been since late 1994 - Mr Griffiths says he may buy Portuguese bonds, rather than Spanish bonds, once currency

instability has abated. "The state of the Portuguese economy is much better than Spain's but due to the strong trading links between the two countries, the peseta devaluation was too large for the Portuguese authorities to ignore. said Mr John Ferreira, head of Portuguese research at Carnegie, the specialist brokerage

Mar 6 Mar 3 Yr, ago

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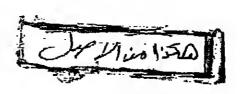
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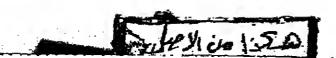
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WORLD BOND PRICES BENCHMARK GOVERNMENT BONDS E BUND FUTURES OPTIONS (LIFFE) DW250,000 points of 100% Day's change CALLS PUTS Red Date Coupon Yield ago Price change Yield 3g0 ago 91.8300 -1,710 10.37 10.00 10.40 99.0700 +0.200 7.68 7.81 7.71 96.4700 -0.040 8.28 8.22 8.45 100.5500 -0.450 8.91 8.67 8.52 87,5700 -0.450 8.95 8,77 9.06 101,0900 +0.050 7.59 7.80 7.27 95,6500 -0.340 8.13 7.94 7.54 82,5500 -0.550 8.80 8.73 7.34 7.54 80,6800 -0.380 13.05 12.68 12.61 12.01 104,7180 +0.500 2.57 3.80 3.80 102,6880 +0.312 4.21 4.35 4.71 107,4800 -0.240 7.54 7.51 7.7 84,1000 -0.010 11.68 11.65 11.64 70-2700 -1.550 12.21 11.10 < 8.000 7.500 7.750 9.000 7.000 8.000 7.500 7.375 6.250 0.99 1.12 0.92 0.74 0.42 0.70 1.08 0,89 09/04 01/05 10/04 12/04 12/04 05/98 04/05 01/05 10/04 01/05 06/99 08/04 03/05 01/04 0.75 1.15 Italy M NOTIONAL ITALIAN GOVT, BORD (BTP) FUTURES (LIFFE) Lira 200m 100ths of 100% Sett ofce Chance LOW Est vol Open int. 93,31 -1.08 93,38 -0.28 94,65 83,30 Netherland Portugal Spain Swaden UK Gibs FITALIAN GOVT, BONE TETP FUTDINES OPTIONS JUFFE LISZOOM DOORS of FOOS 02/05 02/05 08/89 12/05 10/08 02/05 02/25 04/04 10.72 8.56 8.65 8.63 7.28 7.51 8.42 -1.010 -3/32 -9/32 -11/32 -18/32 -20/32 -0.300 11,09 8.55 8.66 8.65 7.45 7.61 8.58 CALLS 70.2700 90-26 98-29 102-24 100-10 100-04 84.0800 2.28 2.54 3.63 9,000 7,500 7,625 8,000 8.71 7.86 7.93 8.64 9350 9400 2.49 1,90 ECU (French Govt) Soain M NOTIONAL SPANISH BOND FUTURES (MEFF) Selt price Change -1,42 -1,37 Mar Jun UK 82.12 81.72 83.32 83.00 82.11 81.70 81,568 6,844 35,855 10,107 Triagony Bills and Bond Yields 5.57 Two year 5.51 Three year 5.51 Three year 6.60 30-year 8.68 7.12 7.27 7.43 7.61 MOTIONAL UK GILT PUTURES (LIFFE) 050,000 32nds of 100% Sett price Low Est. vol 101-23 102-00 101-10 101-19 -0-11 -0-11 101-06 101-12 10068 43522 33927 69957 0 BOALONG CILT FUTUREED GROUNS-OUFFED \$50,000 64ths of 100% 0 PUTS --Jun 1-18 1-45 2-18 CALLS Jun 1-54 1-19 0-56 5ep 1-53 2-20 2-56 1-07 0-36 0-15 1-32 0-62 0-37 101 102 103 0-58 1-24 1-63 **BOND FUTURES AND OPTIONS** Ecu M NOTIONAL FRENCH BOND PUTURES (MATIF) EQU BOND FUTURES (MATIF) Est vol. Open int. -0.26 -0.16 -0.12 165,306 40,660 2 98.480 41,459 4,890 Sett price Change 81.26 -0.30 81.14 -0.28 High 81.74 61.38 E1.18 81.08 111.54 110.96 110.22 111,36 110,80 110,22 111.24 5,396 2,453 326 ILONG TERM FRENCH BOND OPTIONS (MATIF) US Jun 1.00 1.39 5ep 1.95 IN US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100% 1,73 110 111 112 113 114 LOW Est vol. Open at Latest Change High -0-16 -0-75 -0-15 52,489 456,708 Japan IN NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100% M NOTIONAL GERMAN BUND FUTURES (LIFFE) DM250,000 100ths of 100% Sett price Change 91.03 +0.21 90.60 +0.28 90.10 +0.28 Clyse Low Est. vol Open int. 90915 80573 146582 124852 0 1957 LOW 90,67 111.30 110.53 111.25 110.45 176 2233 UK GILTS PRICES 1994/95 -High Low 8.78 1043) 8.66 875, 8.64 99 8.74 1084, 8.67 93434 8.70 95/34 9.03 115, 8.65 9033 8.64 10232 8.63 95/44 9.06 T.70 R.59 9.04 10.33 8.42 18.19 8.60 10.56 8.75 B.42 125/3 105/4 100/3 125/2 112/3 111/4 136/3 151/3 151/3 115/3 115/3 1912 843 97 1024 1184 9133 1124 953 1245 9913 9133 3.65 20414 3.77 167 2 2.98 167 2 2 3.95 168 1 3.95 168 1 3.95 168 1 3.95 168 1 3.95 158 1 3.95 158 1 3.95 158 1 3.95 158 1 3.95 158 1 3.95 158 1 3.95 158 1 3.95 158 1 3.95 158 1 3.95 158 1 200 282 154 157 157 157 157 177 178 178 Ower Fitness Years Train 6 1/4pc 2010 Coner Spc Lis 2011 ±± Train 5 5 2012±± Train 5 5 2012±± Train 5 5 2016 12±± Train 5 5 2016 12±± Train 5 5 2016 12±± Train 5 5 2017 ±± Each 1 2pc 2017 -17 Each 1 2pc 2017 -17 8.52 8.61 8.59 8.26 8.54 8.49 8.54 8.51 8.76 984 1251 1275 9376 1173 1144 1304 1394 Other Fixed Interest int Red Pace E + or - High Low 826 1104 055 1174 - 904 - 1004 - 1004 - 1074 - 1 929 979 885 1206 10.54 10.57 9.23 10.24 4.30 8.20 8.59 11.01 9.44 7.63 9.27 8.35 9.34 10.26 8.54 8.71 8.72 8.65 8.78 8.81 8.87 7.40 97,1 101,1 118,2 105,2 914, 105,2 95,3 07,1,2 123,2 743, 997, 11933 10332 8833 1023 927, 10412 1093 693 8.70 8.45 6.00 8.60 8.46 8.56 441 181 181 181 181 181 181 59% 5413 44% 3812 37% 中中の中で





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Currencies and money

MARKETS REPORT

D-Mark drives dollar and sterling to fresh lows

Foreign exchange markets experienced renewed turbu-lence yesterday as the dollar fell to new lows and various European currencies came under pressure following the weekend devaluation of the peseta and the escudo, writes Philip Gawith.

The dollar touched new lows against the yen and the swiss franc, while it matched its all time low against the D-Mark of DM1.3860. Aside from Bank of Japan purchases during Asian trading, there was no sign of central bank support following

Friday's unsuccessful efforts. In Europe the lira fell below L1,200 for the first time, and the French franc reached a new record low against the D-Mark of FFr3.5510. Other currencies which reached new record lows included the peseta and the escudo, as well as the Swedish krone.

seta and the escuto, as at the Swedish krone.
The Spanish central bank that a saised its daily money the saised its daily money t also raised its daily money market rate by 50 basis points to 8.55 per cent.

POUND SPOT FORWARD AGAINST THE POUND

After holding up reasonably well for much of the day, espe-cially against the dollar, sterling plummeted in thin, late afternoon trading conditions. From \$1.65 and DM2.31, it fell below \$1.62 and DM2.27, the

latter a historic low. In Mexico, the peso was offered at 7 pesos to the dollar at one stage, before finishing 88 centavos lower at 6.85 pesos per dollar. Uncertainty about how the government planned to deal with the economic cri-

sis prompted peso selling. In Brazil, meanwhile, the government announced a new foreign exchange policy which defines an exchange rate band within which the real currency will float against the dollar.

While central banks were 1,6340 1,6336 1,6326

1,8295 1,8291 1,8261

low of Y92.70 and DM1.3860. equivalent to the previous all-time low reached in Septem-During European trading it moved in a fairly narrow range around DM1.3935-DM1.4052 and

short positions.

Y92,40/Y93.10. In the absence of any change to policy fundamentals in the US, Germany or Japan, market expectations are that the dollar will probably still sink lower

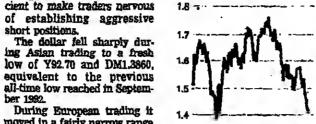
prospect of heavy intervention

to support the dollar was suffi-

of establishing aggressive

Most analysts believe that the ball is in the US's court. Opinion is unanimous that the Bundesbank will not cut rates to support the dollar. "Their attitude," said one "is that they talked it down and they

must talk it up." In fact a feature of recent Against the D-Mark (5 per OM)



23 1992 days has been the lack of "ver-

bal intervention" to talk up the dollar. The only comment so far came from Mr Robert Rubin, the treasury secretary, on Friday.

> plight is likely only to confirm market suspicions that the administration is unconcerned about the current level of the

One theory is that the US Treasury will only become concerned about the dollar when it starts to affect bond and equity prices. There were some early signs of this yesterday.

The weakness in the US and Mexican currencies has spilled over into Canada, which is also heavily dependent on foreign capital to finance a large current account deficit

The Canadian dollar lost more than half a cent in early trading and was at 70.52 US cents at midday in Toronto. more than wiping out the gains which followed last week's tough federal budget.

The peseta was the main focus in Europe. It was unclear whether the early devaluation, which had sought to wrongfoot the market by preventing it having a target to aim at,

Mr David Cocker, economist at Chemical Bank in London, said a devaluation only worked when backed up by suitable

policy moves. In the case of Spain markets are concerned about political uncertainty, rising inflation and whether the government will meet its fiscal deficit target. There is little to cause for comfort on any of

these scores.

"The peseta looks just as vulnerable to me as it did first things this morning," said Mr Cocker.

The most volnerable currencies have been those where there are concerns about polities or deficits. Spain and Italy have been countries suffering on both fronts.

The Bank of England cleared a £650m money market shortage at established rates in its daily operations.

178.787 - 179.060 102.970 - 109.070 2659.07 - 2677.27 1749.00 - 1750.00 0.4653 - 0.4859 0.2554 - 0.2560 1.8655 - 3.6867 2.3662 - 2.5662 75.22.57 - 7522.56 4562.00 - 4555.00 6.0253 - 6.0003 3.6724 - 3.6732 Hungary Irac Huncat Poland Husata U.A.E.

5% 5% 6% 4.50 4.50 -5% 5% 10% 10% 5.01 5.01 5.25 3.50 3.50 5.25 week ago Builtzerland 416 416 636 636 236 236 week ago dapen dapen # \$ LIBOR FT Lon Interbenk Fishing 6% 8% 64 64 64 US Dollar CDs 8.03 44 4% week ego SDR Linksd Da EURO CURRENCY INTEREST RATES Est. vol Open int. 44,194 37,051 68,305 48,613 21,567 37,039 7,300 24,486 -0.39 -0.20 -0.06 -0.03 92.92 92.93 92.91 91.73 83,16 93,10 92,91 92,76 92.97 92.67 92.95 92.83 BE MONTH BURODOLLAR (LIFFE)" \$1m points of 100% Ореп Sett price Change High Low Est. vol 1564 540 364 270 93.34 W THREE MONTH EXPOSIARIX FUTURES (LIFFE) DM1m points of 100% High 133887 209835 140903 106195 22266 58704 42208 27981 IN THREE MONTH BUROLINA BIT.RATE PUTURES (LIFFE) L1000m points of 100%

WORLD INTEREST RATES

March 6

Sett price Change High Low Est vol Open Int. 89.48 88.86 88.50 88.40 -0.21 -0.16 -0.12 BB.40 -0.10 BB.42 BB.21 # THERES MONTH BURD SURSE PRANC FUTURES (LIFFE) SFr1m points of 100% Sen price Change 96,12 +0,05 95.81 +0.09 Low 96.10 95.77 95,49 95,18 96.12 95.85 95.53 95.22 96.10 IN THERESE MONTH ISCU FUTURES (LEFFE) Eculm po sints of 100% Open 93.49 93.12 92.83 92.47 -0.07 -0.05 -0.02 93.47 93.10 92.81 92.47

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Notice of Call for Tenders annulment International Call for Tender Nº 120/94-DT

The Sampar Board of Directors announces the annulment of the Call for Tenders N° 120-94-DT, that determined the expansion of the sewerage system of the cities of Cariniba, Arancária, Pinhais and São José dos Pinhais. The opening date for bids is May 30, 1995.

Curitiba, Febrary 16, 1995

GOVERNO DO ESTADO DO PARANA

		mod pod it	OII CITY	200	880	ngn	IOW	Flets	XPA	Rate	%PA	Rate	%PA	Eng. Inde	K.			mid-point	
Europe															Ein	1999			_
Austrie Belgium	(Sch)						16.1860						-	107.9	Aus	strie	(Sch)		
Denmark	(DKA)	47.5046 9.2838		619			47.4310								Bei	gium	(BFr)		
Finland	(FM)	7.1135			- 560 - 188	9.3960 7.1710			-0.2	0.263	3 0.0	9.2451	0.4	107.2		ymark	(DKI)		
France	(Fr)	6,1707			773	6.3040		A.1668	0.6	6.1636	43	8.1373	0.4	87,1 108,4		and	(FM)		
Germany	(DMg	2.3022			- 036	2.3217		2.2004						113.5		nce meny	(FFr)		
Graece	(Dr)	387.465	-5.487	189 -	741		366,360							70.0		ecs.	(Dr)		
ireland	(12)	1.0057	-0.0019		- 064	1.0222		1,0058	-0.2	1.005	0.2	1.0034	0.2	97.3		and.	000		
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Lucambourg	(154)	47.5046			272		47.4310		0.5	47.3896	1,0			110.0	Lie	grundens	(LFr)	28.9450	,
Natherlands Norway	(MKA)	2.5821				2.6430		2.5791	1.4					110.1		heriende	(F-1)	1.5733	
Portugal	(Est)	242.896			136		10.2158 239.529	10,2473		10.24		10.2333	0.1	99.7	_	way	DOC		
Spain	Pto	200.581	+3,725		809		205.888	210.061	-3.0 -2.7	245.148		215.331	-27	98.5 77.6		tugai	(Es)	148.000	
Sweden	(SK)	11.8501	+0.0596		806	12.0219		11.8523		11.8564				79.0		eden	(SKA	7,2204	и.
Switzerland	(SFr)	1.9292			306	1,9572		1.9245		1.9157			11	112.7		tzeriand	(SFr)	1.1755	
UK	(2)								_					67.7	UK		60	1.5412	
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Argentina	(Peec)	1.8415				1_8568		-	-		-	-	•	-		entine	(Page)	1.0002	
Brazil	(Cr)	1.4221	+0.0272			1.4449					:				Braz		(Cr)	0.8665	
Canada Mexico (Nex	(CS)	2.3252				2.3375	2.2941	2,3289	-1.0	23348	-1,7	2.3399	-0.6	80.2		enctes	(CS)	1.4188	
USA	v Peso) (Si	1.6412				1,6568	1,6305	1,6409	0.2	1,6399	0.5	1.6298	0.7	81.7	Mes USA		M Peto	6.5450	
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Australia	(AS)	2.2192	+4.0213	178 -	206	2,2208	2.2165	2.2218	-1.5	2.2279	-1.8	2,2568	-1.7	82.5		tralia	(AS)	1.3521	
Hong Kong	(P-0C\$)	12,6886					12.6074	12.6877	0.1	12.7141		12.6138	0.0	-		a Kona	O-INCSS	7.7313	
India	(Flat)	52,2068				52,6700		1220077							Indi		Pel	31.8100	
harmol	(Shik)	4,8834	+0.0841			4,9566	4.8155		-		-	-	-	-	ferm		(SHU)	2,9755	
Japan	M	152,492	-0.584	388 -	586	154,880	152,290	151.952	42	150,817	4.4	144,732	6.1	154.8	Japa	en co	M	92,9150	
Malaysia	(M\$)	4.1777	+0.0842	756 -	796	4.2239	4.1545	-	-				-			ayela aleya	(MS)	2.5455	-
New Zealand	(NZS)	2.5497	+0.008		524	2.5524	2,5456	2,5662	-3.1	2.5687	-2.7	2.592	-1.7	96.7		Zastund	(NZS)	1.5535	-
Philipines	Pesoj	41,9327	-0.1484		275		42,2433	-	-	-	-	•	-	-		pines	(Posoi	25.5500	
Sexti Arabia	(SF)	6.1552			574	6.2127	6.1152	-	-	-	-	-	-	•		di Arabia	SA	3.7504	
Singepore	(5\$)	2.9527	+0.0034		542	2,3863	2.3499		-	•	-	-	-	-		apora	(55)	1.4335	-
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S Africa (Fin.)	(Mont)	6.3137	+0.0015		320 267	0.4087	1269.07	•		_	- :	:	-			th Korne	(Won)	787,350	
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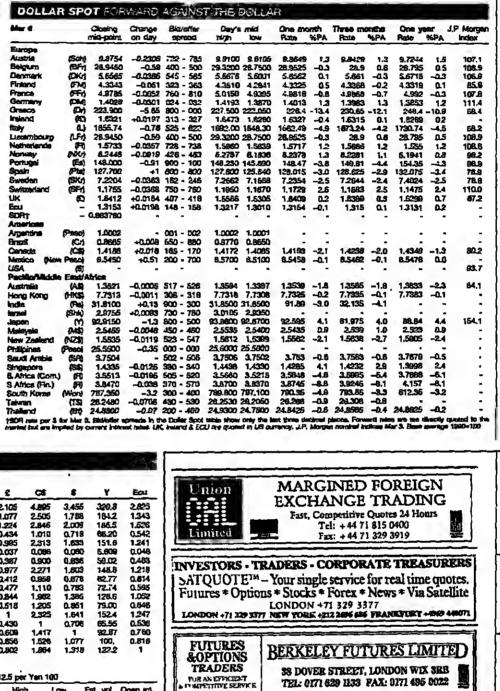
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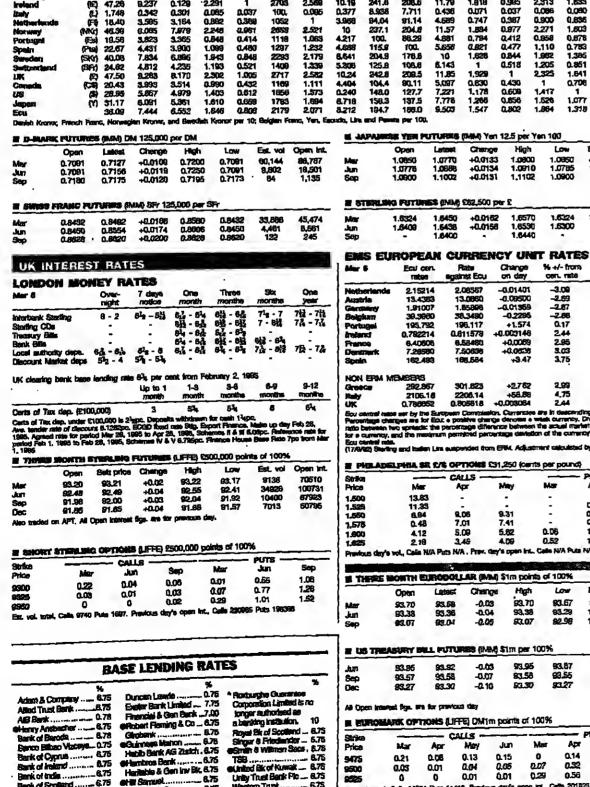
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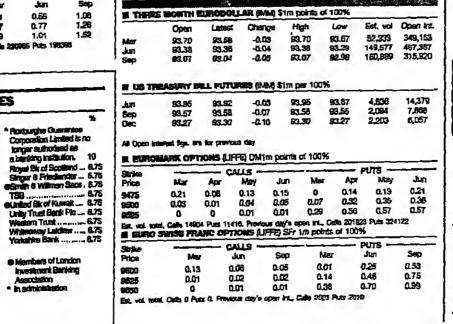
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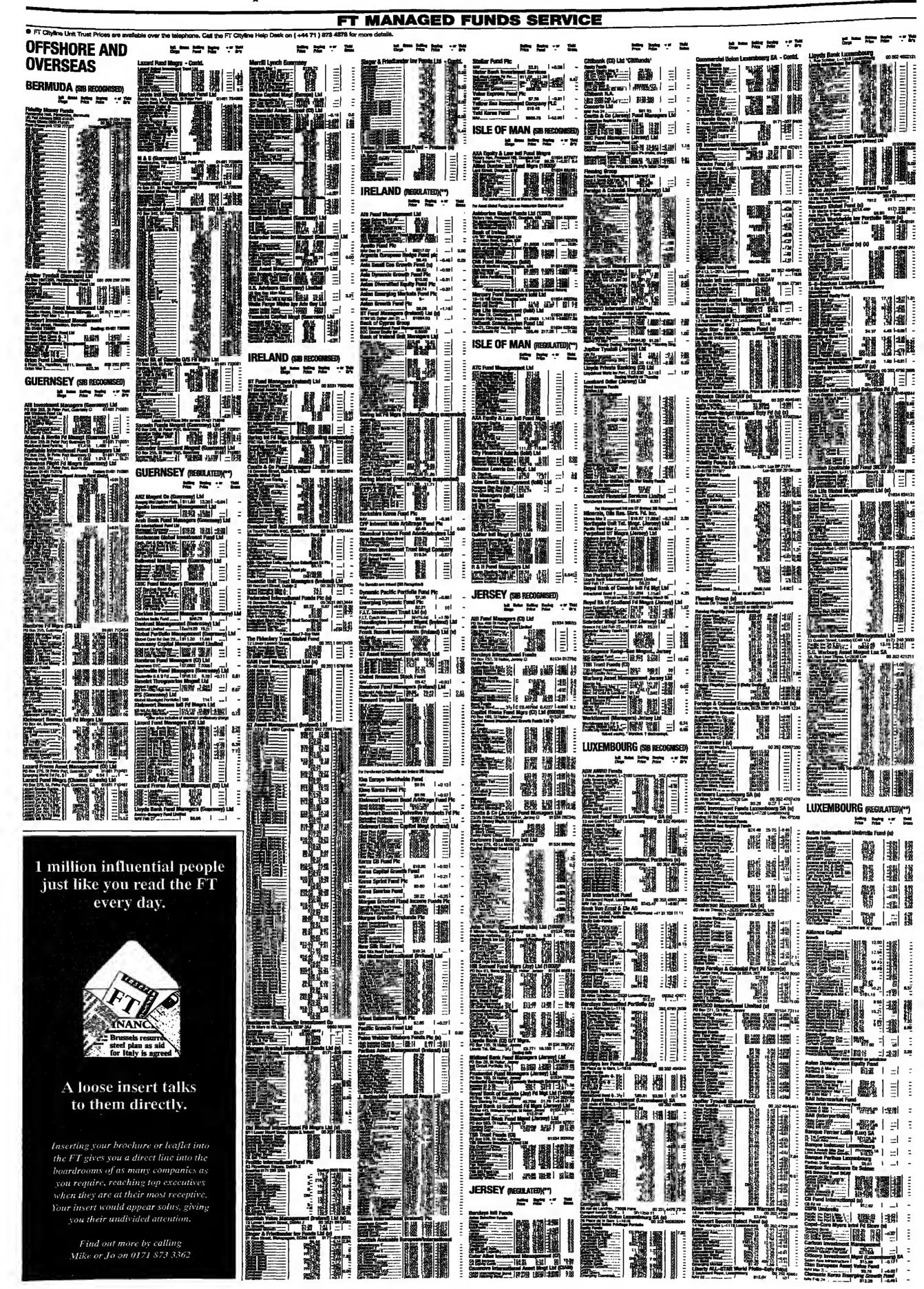
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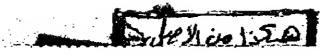
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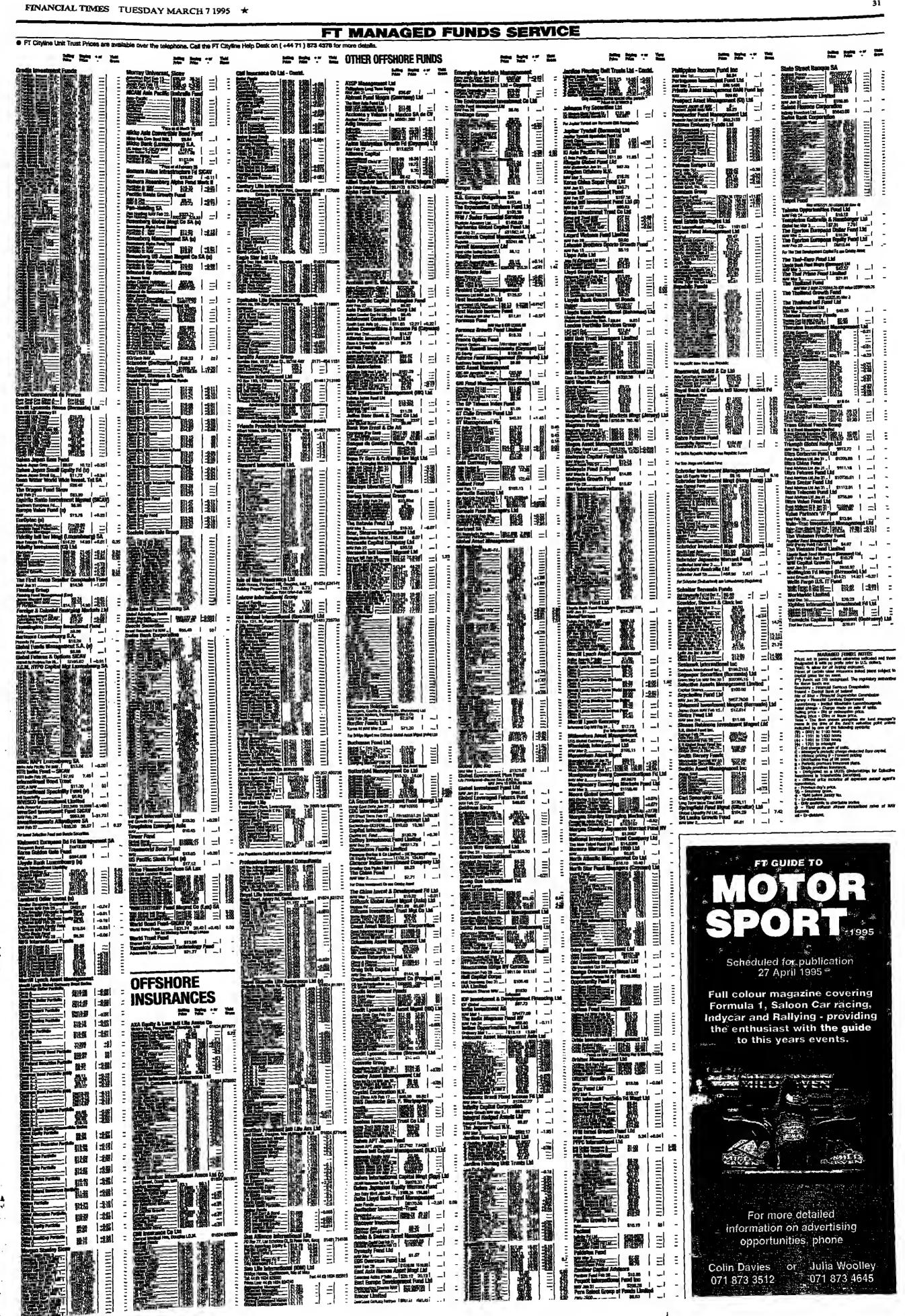
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LONDON STOCK EXCHANGE

International blue chips hit by currency turmoil

By Terry Byland, UK Stock Market Editor

increasing turbulence in global currency markets undermined share prices in London yesterday, bringing the 3,000 support level on the FT-SE 100 Share Index under pressure yet again. A modest rally was staged towards the close when Wall Street fared better in early trading than London traders had

expected. The continued advance by the DM, together with the reverbera-tions in other ERM currencies foilowing devaluations by Spain and Portugal, discouraged equity investment activity by the big

institutions. Rumours circulated of plans for an emergency meeting of the Group of Seven finance ministers and of plans for further concerted support for the

Equity strategists expressed little faith in further currency intervention, but also saw little prospect of the interest rate moves by the US or Germany considered necessary to settle currency markets.

The final reading of 3,001.9 left the FT-SE 100 Index with a loss on the day of 23.2 points. The dollar's weakness continued to threaten earnings at the blue chip internationals. A heavy trading programme dominated the second half of the

The Footsie dipped to 2,999.9 at the day's low as selling of US index futures warned of impending pressure on Wall Street London braced for an opening fall of around 20 points on the Dow Jones Industrial Average so, when the Dow trimmed its early ioss to around 20 points in London hours, UK stocks

steadied very cautiously. The FT-SE Mid 250 Index, less affected by worries over global currencies, edged up by 3.3 to close at 3,394.7. Seaq volume was slow at first but the final total was boosted by heavy initial dealings in the new shares of PowerGen and National Power. At the close, Seaq volume of

612.9m ehares compared with 454.8m on Friday when retail business in equities dipped to

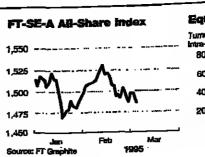
Non-Footsie stocks made up around 59 per cent of yesterday's total business. This in part reflected a burst of activity in the water stocks after Lyonnaise des Eaux said it would bid for Northumbrian Water. Although the French group will not name its price until the UK monopoly questions are cleared, shares in Northumbrian jumped by 17 per cent and other water shares also rose sharply, indicating market views on potential value in the sec-

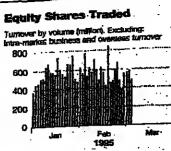
Dollar weakness bung over the

tomorrow's closing date for Glaxo's £9bn plus bid for Wellcome. Hints that a white knight might arrive at the last minute left market traders unconvinced.

The next two sessions in the London market will bring trading statements from a batch of important blue chip British companies, beginning this morning with year-end results from Barclays Bank.

Analysts expect good profits figures from Barclays and also from Commercial Union, which is due to report on Wednesday. But the turmoil in currency markets is likely to muffle all other consider-





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3021.0 3029.0

Open Sett price Change

2997.0 3002.5 3028.0

3410.0 3375.0



Low

Major Stocks Yesterday

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\$682 1.4700 0 1.4700

Est. vol

Water sector

alert

Last Friday's market speculation of a bid in the utili-ties proved correct as Lyonnaise des Eaux swooped to announce its intention of bidding for Northumbrian Water. The latter's shares rocketed 128 to a record 870p after the bid news. Lyonnaise said it expected its bid to attract a reference to the Monopolies and Mergers Commission and said it would furnish its bid

terms after any move. Dealers said the market had braced itself for a bid for one of the regional electricity companies. Yorkshire has long been a favoured target and there was a strong rumour late on Friday of an offer for Northern

Ireland Electricity. Analysts said Northumbrian was an obvious takeover candidate among the waters and had demonstrated an obvious defence strategy to analysts at a presentation only last week. The general feeling around the market, bowever, was that, given a good price, an agreed deal was on the cards. The bid was Lyonnaise's second tilt at Northumbrian; the French group acquired a notifiable stake in Northumbrian immediately following the water company's privatisation in December 1989, subsequently selling the shares, for a substantial profit, in the market.

Marketmakers said Lyonnaise' move had posted a bid

with Southern seen as a prime target. "The market will now watch very keenly for any moves by Generale des Eaux, which many think could be eyeing Southern, " said one trader. The latter's sbares raced up 15 to 566p. Other bid candidates were Welsh Water, up 28 at 637p and Yorkshire,

up 8 to 527p.
Northern Ireland Electricity touched 374p as the Scottish Power bid rumours circulated in the market, but later subsided to close a net 9 higher at

Power stocks

The sale of the Government's remaining 40 per cent stakes in the two English generators. National Power and PowerGen went smoothly with both partly-paid stocks attracting keen

support in the after-market. National Power partly-paid stock opened at 189p and touched 190p before ending the session at 186%p, after turnover of 46m, while PowerGen partly-paid began trading at 201p and touched 206p before coming off the top to close at 198%p: turnover in PowerGen

partly-paids was 29m. Dealers in the new shares said there was no evidence of any sizeable flow back of stock in the generators from bulls of the issue. National Power "old" shares closed unaltered on balance at 456%p, after turnover of 12m, while PowerGen settled a penny off at 491p, with 10m shares changing hands. "The latest bid in the utili-

tles sector, by Lyonnais des Eaux for Northumbrian, helped stoke up the after-market for the shares, along with other utilities," said one trader

Total Rises Total Falls Same

in the shares

Dollar stocks hit

Internationally traded stocks with exposure to the hard-hit US dollar were marked down by traders.

Glaxo, which received sharebolder approval for its £9bn plus bid for Wellcome shed 11 to 648p. Wellcome, which has advised its shareholders to take no action on the Glaxo offer which closes tomorrow, lost 5 at 1036p. The group is hoping for a last-minute 'whiteknight' counter bid and there has been epeculation that Zeneca will come up with an offer. However, that speculation appeared to fade yesterday; Zeneca shares dipped 5 to

854p. Meanwhile, SmithKline Bee-cham fell 11 to 496p and BTZ, which announces results tomorrow, slid 14 to 739p.

Tobacco and insurance con-

FINANCIAL	TIME	S EQ	UITY	INDIC	ES			
	Mar 6	Mar 3	Mar 2	Mar 1	Feb 28	Yr ego	'High	"Low
Ordinary Share	2287,4	2301.8	2311.3	2312.5	2286.2	2584.4	2713.6	2238.3
Orch div. yield	4.61	4.58	4,56	4.55	4,68	3.5B	4.66	3.43
Etam. vid. % full	7.22	7.17	7,14	7.13	7,18	4.78	7.22	3.82
P/E ratio net	16.37	16.49	16.56	16.59	16.48	22.69	33.43	16.37
P/E ratio nil	15.91	16.02	16.09	16.12	18.00	23.76	30.80	15.91
"For 1894/5, Ordinar	y Share in	cles since	соправо	er high 21	13,6 2/02	64; low 49	4 26/6/40	

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	18.00	High	Low
2293.4 2	2294.6	2297,1	2288.4	2285.4	2283.7	2281.7	2285.3	2287,9	2299.2	2280.9
			Mar 6	Me	r 3	Mar 2	Mar	1 Fe	b 28	Yr ago
SEAQ ban	gains		26,236	16,	928	21,304	20,4	B7 2	0,840	31,326
Equity turn	nover (Smit		. 9	40.3	1835.0	1562	2 1	47B.5	1249.6
Equity ber	usisi			. 27	585	28,575	27,2	29 2	7,247	34,400
Shares tra				. 4	44.5	584.5	674	.6	562.2	459.5

Henlys continued to bask in the aftermath of Friday's strong profits and dividend statement, rising 15 to 284p for a two-day advance of close on 10 per cent. Lex Service.

improved 2 to 295p and Reg Vardy put on 3 to 178p. Leading chemicals group Courtanids gained 2½ to 430p with NatWest Securities arguing that the sharp rise in the price of cotton would help the group raise its synthetic fibre

glomerate BAT Industries

dropped 111/2 to 4201/2p. The

shares also suffered from Sun-

day newspaper speculation

its results to cover mis-selling

of private pensions.

orices. Elsewhere in the sector, British Vita rose 22 to 234p after announcing better-than-expected results and stating it was coping with increasing costs caused by rising raw material

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Ordinary Share	2287,4	2301.8	2311.3	2312.5	2286.2	2584.4	2713.6	2238.3
Ord. div. yield	4.61	4.58	4.56	4.55	4,68	3.5B	4.66	3.43
Etim. vid. % full	7.22	7.17	7,14	7.13	7,18	4.78	7.22	3.82
P/E ratio net	16.37	16.49	16.56	16.59	16.48	22.69	33.43	16.37
P/E ratio nil	15.91	16.02	16.09	16.12	18.00	23.78	30.80	15.91
For 1894/5, Ordinar	v Share in	cles since	соправо	E High 27	13.6 2/02/	94; low 49	4 26/6/40	
FT Ordinary Share I								

Ordinary Open	Shere 9.00	10.00		12.00	13.00	14.00	15.00	18.00	High	Low
2293.4	2294.6	2297,1	2288.4	2285.4	2283.7	2281.7	2285.3	2287,9	2299.2	2280.9
			Mar 6	Me	r 3	Mar 2	Mar	1 Fe	ab 28	Yr ago
SEAQ be	roeins		26,236	18	,928	21,304	20,4	67 2	0,840	31,328
Equity tur		Em)rt		. 9	40.3	1835.0	1563	12 1	478.5	1249.6
Equity be	rusinst			. 27	.585	28,575	27.2	29 2	7.247	34,408
Shares to				. 4	44.5	584.5	674	1.6	562.2	459.8
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Also, Cementone improved 3½ to 38p on full-year figures which, although halved from that the group will tomorrow announce a £125m charge with the previous year, signalled a dramatic recovery from a difficult first half.

Inveresk, the speciality paper and board maker, fell 8 to 139p after announcing a slide in full year profits to £8.1m. Revenue was hit by the hefty increases in wood pulp

prices.
Plastic bag maker Britisb Polythene gained 13 to 506p after announcing a 25 per cent rise in profits to £19.2m. Saatchi & Saatchi lost 31/4 to

87p on concern over refinanc ing ahead of figures next week. Yesterday's 7 per cent deval-uation of the Spanish peseta hit several stocks in the drinks sector. Allied Domecq with around 12 per cent of profits from Spain, gave up 5 to 507p. as brokers trimmed full year profit estimates by around £8m to reflect the currency changes. The range of forecasts is now between £688m and £760m. Also weakened by currency was Grand Metropolitan 6 lower at 375p. Guinness, with around 4 per cent of profits from Spain, closed 51/2 lower at 414½p,

Nervous trading ahead of tomorrow's figures left Ladbroke 3 lighter at 172p. Shares in Hillsdown Holdings, the food manufacturing group, gained 6 to 182p, in trade of 3.3m as the market celebrated news that Hillsdown was in favour of proposals by

the Wallace McCain family to acquire Canadian group Maple Leaf Foods, Hillsdown has a 56 per cent stake in the company and it said the sale will have a "broadly neutral" effect on earnings per share. One analyst said. "This is a step in the right direction. Maple leaf has been a disap-

ance sheet considerably. Cadbury Schweppes another group reporting figures tomor-row followed the market lower to end 5 off at 427p. Tate & Lyle continued in the dol-

drums as a broker's negative

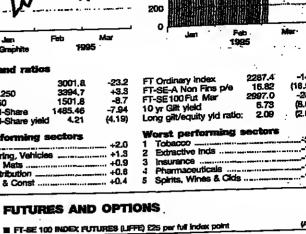
note published last week con-

tinued to exact a toll on the

shares. They lost another 31/2 to Motor component engineers mostly bucked the market's downward trend with Lucas Industries adding 6 to 187p, GKN gaining 8 to 575p and

MARKET REPORTERS: Steve Thompson,

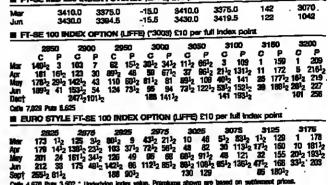
BBA advancing 4 to 196p.



High

3024.0 3028.0 3029.0

Jeffrey Brown.



-28.0 -29.0 -29.0

■ FT-SE MID 250 INDEX FUTURES (LIFFE) 210 per full Index point

LONDON RECENT ISSUES: EQUITIES Net Div. Grs P/E ofv. cov. yid net price peid cap 1994/95 p up (Sm.) High Low Stock 18.5 13½ 12½ Bath Press
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	Mar 3	% chg	2	Mar 1	Year	Gross div yield %	62 week High Low
Gold Mines Index (34)	1996.31	-1.9	1703.25	1700.78	1964,63	2.30	2337.90 1637.9
M Regional Indices							
Africa (16)	2524.36	-0.6	2540.50	2585.63	2671.40	5.45	3711.67 2304.4
Australants (7)	1942,24	-0.4	1950.23	1966.47	2386.04	0.84	2951,49 1788.2
North America (11)	1404.28	-1.3	1423,11	1386.96	1693.81	0.80	1911.21 1348.1
Copyright, The Financial Figures in brackets show Latest prices were unaw	rumber (of como	mies. Bes	el, He US Do	Mers. Bes	e Values 1	000.00 31/12/42.

pointing investment that never lived up to expectations. While the impact on earning will be neutral, it strengthens the bal-Bectrocomps

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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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Financial Times. World Business Newspaper.

Currency and bond worries unsettle Dow

Wall Street

The continuing fall in the dollar and the weakness of the bond market combined to drive US share prices lower, writes Maggie Urry in New York. At 1 pm the Dow Jones

ume was 164m shares

Shares were unsettled as the long bond traded around a point lower and the dollar fell exchange markets.

the possibility that interest rates might be raised to protect

the hoped-for "soft landing" for the economy. Renewed con-cerns about Latin America also affected shares.

However, the Dow Jones index had rallied from the opening when it fell more 34 points in the first 15 minutes

Fears of rising interest rates hit bank shares, with Citicorp down another \$% to \$42. Bank of Boston, which has e large exposure to Latin America, fell \$1 to \$27\\dagger.

stocks, Telefonos de Mexico's American depositary receipts dropped \$\% to \$25\%, and Telecom Argentina \$% to \$29%. Corporate news gave a push

in talks to buy a minority

Further weakness in front line cyclicals

group, dropped FFr10.20 to

FFr355 as a decision on the

restructuring of its construc-

tion subsidiary, Spie Batig

Spie, which will need more pro-

nolles, was delayed until April;

visions for its problems in real

estate, fell 90 centimes to

FFr180.60, having shot up to

FFr196.50 on rumours that

Schneider planned to absorb

the company.

AMSTERDAM dealt carefully

with ING's acquisition of the

collapsed UK merchant bank,

Barings. On e measured day for the AEX index, which

recovered from a decline below

the 400 level to close 3.48 lower at 402.12, Ing fell Fl 1.30, or 1.6

ABN-Amro, ING'a competitor

to 850.46 as turnover rose from

SEOUL extended early gains.

overcoming profit-taking on the wey, to close higher for the

The composite index

advanced 14.29 to 933,44 on

expectations of a fall in interest rates and with late institu-

tional buying of shares in the

Daewoo Group contributing to

Daewoo Electronics and Dae-

woo Heavy Industries went

limit up, each gaining Won600

to Won11,300 and Won11,000

respectively on speculation that the group planned to buy

SYDNEY was weak in

response to Friday's fall in the

back some of its stock.

the upbest mood.

SLRs54.20m to SLRs96.5m.

third consecutive session.

per cent to F179.

Dollar's decline hits Nikkei and region

tic bond markets - Germany strengthening while France, among others, continued to weaken - was not matched in equities, writes Our Markets

FRANKFURT hammered its front line cyclicals as the Day index, down 39.17 to 2,070.32 on the session, hit 2,060.61 after hours before recovering to an Ibis-indicated 2,069.95. Turnover rose from DM5.7bn

to DM6.7bn. In chemicals. BASF and Bayer fell DM7 to DM309 and DM6.50 to DM350.50 respectively. Germany's big three, arguably, are protected from dollar weakness since they export as much or more from the US as they send to it from Germany; but they are big exporters to other European countries, most of whose currencies have fallen substan-

A weekend note from Merck Finck in Düsseldorf saw e high risk in carmakers where Daimler, with the highest dollar exposure via its aerospace business, dropped DM15.90 to DM678.50; and Volkwagen, particularly affected by D-Mark strength in Europe, by DM6.70 to DM388.30.

Merck Finck also forecast outperformance in financials. Bunds rose with the D-Mark

16.30 11.00 12.00 13.00 14.00 15.00 Clos Hourty changes FT-SE Eurotrack 200 1297.72 1263.75 1262.14 1251.54 1259.49 1259.22 1269.13 1261.16 FT-SE Eurotrack 200 1355.87 1348.96 1345.48 1348.10 1343.35 1343.74 1344.73 1344.97 Feb 25 Mar 2 Mar 3 Mar 1 1281.06 1361.12 1298.79 1388.81 1303.42 1368.14 vesterday and hanks fell hy about cyclicals: Schneider, the ess than average, Bayernhypo electrotechnical engineering

FT-SE Actuaries Share indices

by just 40 pfg to DM390.10. PARIS saw March bond futures fall 26 basis points on the Matif, and spreads widen considerably against bunds. Equities reacted and, in spite of a partial recovery from a new intraday low of 1,769, the CAC-40 index finished 21.99, or 1.2 per cent lower at 1,773.25 in turnover of FFr2.8bn.

The entente cordiale revived. Lyonnaise des Eaux closed FFr2 better at FFr436 after hitting FFr427 in an early reaction to its bid for Northumhrian Water of the UK. Credit Lyonnais rose FFr5.70 to FFr332.50 as Carlton Communications of the UK said that it was part of a consortium bidding for CL's MGM cinema

chain subsidiary. for Barings, eased 50 cents to On the downside, falls of Fl 59.20. Elsewhere, one or two FFr5.60 to FFr197.40 for Michestocks remained resilient to dollar weakness: the publisher, Peugeot reflected worries Wolters Kluwer, rose 50 cents

by 40 cents to Fl 57.30. ZURICH fell 1.5 per cent on selling with Wall Street's weak opening adding to earlier dol-

closed 38.4 lower at 2,548.1. Pharmaceuticels encoun tered foreign profit-taking. leaving Rocbe certificates SFr105 lower at SFr6,675 and Ciba down SFr12 to SFr771. ducer which has businesses in

Latin America and the US, was

SFr28 lower at SFr866. Brown-Boveri, regarded by some as a dollar related share. was SFr37 down at SFr1,038, ahead of results tomorrow Elektrowatt dipped SFr9 to SFr316 on the company's cautious outlook for 1995.

In banks, CS Holding lost SFr14 to SFr486 in further response to last week's results while UBS bearers fell SFr8 to SFr1,053. A SFr4 fall to SFr342 in SBC, with results due next week, was attributed to worries about a dividend cut.

MILAN clung to hopes that a solution would be brokered to the budget impasse and while the Comit index fell 6.65 to 622.71, a lete improvement in mood was reflected in a 65 advance to 10,075 in the Mibtel index, after e day's low of

All Ordinaries index ended 10.8

industrials were weaker than

resources, the mining sector supported by strong rises in

base metal prices last Friday.

ness in leading shares, particu-

larly in Carter Holt Harvey.

which left the NZSE-40 Capital

index 17,47 down at 1,963.03.

Carter Holt Harvey lost 10

cents at NZ\$3.34 with two insti-

tutions said to be heavy sell-

TAIPEI was lower in thin

trade on fears that the central

bank might further tighten its

monetary policy, in spite of a

lower consumer price index in

The weighted index closed

WELLINGTON saw weak-

lower et 1891.6.

The all share index rose 17.39 the US bond market and the

that the company eppeared undervalued by 14 per cent relative to the sum of its parts: "for those investors willing to take the inherent market risk. lar worries. The SMI index we believe the returns for holding Stet will more than com-

San Paolo di Torino fell 3.6 per cent in immediate response to news that it would ask shareholders to authorise e capital increase. Subsequently, the shares recovered to finish L52 higher at L9.189 as the bank said that the first part of the call would take the form of

Lehman Brothers commented

e private placing. Ambroveneto picked up L102 to L5,206 on continuing speculation that San Paolo would ek to raise its stake.

ISTANBUL came back from boliday to a fourth consecutive all time high, the composite mdex rising 1,190.29, or 3.9 per cent to 31,385.66. Turnover also hit a new peak of TL7,870bn, compared with a previous recover of TL7,680bn on February 20.

Brokers said that the customs union agreement with the EU, signed after market hours yesterday, had triggered e rally in export-oriented sectors.

Written and edited by William Cochrane and Michael Morgan

6,474.94 in thin turnover of

BOMBAY overcame midses

sion doubts that the exchange

authorities would reintroduce

some form of forward trade

and the BSE-30 shares index

finished 12.40 bigber at

SHANGHAI's domestic A

share index gained 42.014, or

7.1 per cent, to a high for this

year of 636,508, on expectations

that funds would return to the

stock market after last week's

creckdown on treasury bill

futures trading.
SHENZHEN'S A share index

gained 5.96, or 4.4 per cent, to

140.93 in turnover that rose to

Yn644m from Yn434m on Fri-

T\$26.7bn

3,540,76

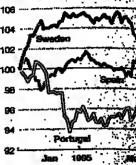
Iberian equities relatively strong

By Philip Coggan

The devaluation of the Spanish peseta and the Portuguese escudn yesterday did not result in a Mexico-style capital

flight from Iberia. In Madrid, turnover reached Pta48.4bn, its highest level of the year as the general index eased just 0.46 to 280.76. However, Mr Jason Maude, an analyst at Dillon, Read, said that the the devaluation was a typical European fudge and the market would have responded better had the peseta left the

Indices relative to FT-A Europe (st. UK)



Exchange Rate Mechanism completely. Shares in some ntilities.

sncb as Iberdrola, fell back because of their foreign currency debts but oil group Repsol, which declined on Friday after the government announced the sale of e further stake, rallled Pta20 to

In Lisbon, analysts said the devaluation, an luevitable response to the Spanish move, appeared to have little effect on the market, with the BTA index losing just 1.1 points to

However, the investors were nervous about markets with a Stockhulm, the Affärsvärlden General index dropped 31.8, or 2.13 per cent to 1457.50. With bond yields up sharply, interest-sensitive property and banking shares were particularly hadly hit; Handelsbanken fell Skr2 to Skr88.

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May 1 to

chain for \$150m to \$200m. Clark Equipment was \$%

Industrial Average was down 11.76 et 3,977.85. The Standard & Poor's 500 lost 2.20 at 483.22. The American Stock Exchange composite fell 1.78 to 451.71 and the Nasdaq composite fell 3.85 at 794.94. NYSE vol-

to another new post-war low against the yen in the ebsence of further Federal Reserve intervention in the foreign The weak currency raised

That, in turn, would threaten

Among Letin American

to some shares. Marriott International, the hotel group, rose \$% to \$31% after It said it was

higher et \$52% after it said that the sale of its half share in VME Group, the construction equipment business, to Volvo for \$573m would produce a gain of \$270m or \$15,50 e share. Also bucking the trend was Deere, the farm equipment group, after a pay deal was agreed by the United Auto Workers union. The shares rose \$1/4 to \$751/4.

Luxottica American Depositary Receipts rose \$1 to \$32% consideration of tts bid last Friday for US Shoe, which owns the LensCrafters chain of opticians. US Shoe shares were up \$% to \$24%. Harley-Davidson, the motor

bike and recreational vehicle maker, fell \$3 or 11 per cent to \$23%, reacting to Friday's announcement thet tt was laying off workers in its Holiday Rambler motorbome business after sluggish sales in February, a month when sales nor-America Online suffered

gains on the tie up with Bertelsmann of Germany. The shares fell \$2 to \$88%. Profit-taking was blamed for fall in technology stocks. Apple Computer fell \$% to \$39% and Digital Equipment \$\% to \$32\%.

profit-taking after last week's

Toronto recovered from early weakness but remained under the cloud of US currency weakness at midday. The TSE-300 index was just 0.63 easier at 4,096.41 in 19.4m shares.

A C\$1.1bn bld by Wallace McCain and the Ontario Teachers Pension Plan Board for Maple Leaf Foods created a slight flurry of activity. Maple Leaf shares rose C\$11 to

Brazil drops 1.5 per cent

in thin, speculative midday trade after the central bank's move to formalise a flxible exchange rate band. The Bovespa index was down 461 at 29,419 at 1 pm in turnover of

R\$81m (\$93.5m). Stocks prices reflected the view that the move would raise the price of imports but help

WORLD INDEX

NATIONAL AND REGIONAL MARKET

Europe Ex. UK (516)... Pacific Ex. Jepen (325 Norld Ex. US (1737)...

The World Index (2250)...

Figures in peren

4.4 per cent to R\$75 while preferred stock in Vale do Rio Doce surged 5.9 per cent to

MEXICAN shares rose sharply in early trade, boosted by arbitrage operations as the new peso fell sharply against the dollar. The IPC index was up 6.95 at 1,526.47 by late morning, off an earlier 1,559.67.

	MARKE	TS IN	PERSP	ECTIVE		
	74	change In loca	4 change sterling †	% change in US 5 †		
	1 Work	# Wooks	1 Year	Stort of	Stort of 1986	Start of 1905
Austria	+1.38	+5.17	-14.44	-3.99	-0.22	+3.62
Belglum	-1.02	-1.72	-10.05	-2.94	+0.17	+4.60
Denmark	-0.13	-1.48	-13.15	-0.92	+1.95	+5.87
Finlend	-3.93	-8.89	-0.85	-7.75	-3.99	-0.30
France	-0.48	-1.73	-16.38	-3.64	-1.82	+1.96
Germany	-0.23	+2.51	-0.16	-0.72	+3.41	+7.36
reland	-2.09	-1.50	+2.24	+0.10	+0.63	+4.51
taly	-0.01	-7.71	-1.63	-1.01	-6.66	-3.03
Netherlands	-1.38	-2.08	-3.19	-2.23	+1.54	+5.45
Norway	-3.05	-7.26	-10.80	-7.79	-5.22	-1.57
Spain	+0.16	-2.34	-14.00	-1.24	-1.20	+2.81
Sweden	-2.73	-3.43	+1.39	+1.02	-0.35	+3.45
Switzerland	-1.27	-0.07	-6.84	-1.71	+2.17	+6.11
UK	-0.48	-1.13	-8.07	-1.59	-1.59	+2.20
EUROPE	-0.70	-1,34	-7.41	-1.79	-0.50	+3.33
Australia	-0.55	+2.80	-8.96	-0.15	-8.37	-4.84
Hong Kong	+0.04	+11.46	-15.68	+2.40	-1.34	+2.46
Japan	-0.52	-5.80	-14.85	-12.66	-10.93	-7.51
Malaysia	+0.91	+9.02	-9.36	+1.78	-1.88	+1.90
Now Zeeland	-1.62	-1.09	-6.10	+3.99	-0.07	+3.78
Singapore	+0.28	+1.05	-2.53	-5.83	-B.57	-5.04
Canada	-0.73	-0,05	-248	-2.34	-5.83	-2.20
JSA	-0.54	+1.29	+5.49	+5.84	+1.92	+5.84
Mexico	-2.34	-20.15	-35.33	-32.15	-46.68	-44.63
South Africa	+1.43	-1.80	+4.95	-11.74	-10.86	-7.43

-5.60

243.28 169.20 152.17 140.44 304.93 196.68 66.60 132.47 715.56 208.69 67.23 191.47 323.24 223.24 123.55 218.26 159.94 131.21 181.68

165.82 159.31 211.00 140.14 148.04 177.27 143.61 215.23 148.08 155.73 173.12

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0.1 1.2 0.4 2.3 1.8 0.1 0.9 -0.5 1.7 1.0

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FT-ACTUARIES WORLD INDICES

.145.15 .488.50 .784.15 .228.69

_135,40 _135,40 _239.18 _175,28 _143,90 _199,11 _196,73

__173.18

-2.77

97.28 121.68
112.77 141.07
104.92 131.24
70.68 88.41
75.36 94.27
158.77 185.60
110.42 138.12
99.31 124.22
91.85 114.65
196.00 248.93
128.36 160.57
43.47 54.37
86.45 106.14
290.92 363.91
124.98 156.31
210.96 263.88
124.98 156.31
210.96 232.19
80.63 100.88
142.44 178.18
104.38 130.57
85.70 107.20
118.58 148.33
118.35 148.05

108.22 135.37 152.48 103.97 130.05 147.92 137.71 172.25 207.60 96.81 120.85 118.18 115.69 144.71 193.97 93.73 117.24 127.94 140.46 175.70 208.90 98.64 120.89 119.12 101.84 127.13 138.82 112.85 141.32 177.39

1.1 158.01 103.12 128.99 142.67

146.85 141.31 126.32 167.54 128.36 206.50 170.84 131.93 114.85 331.72 188.36 479.80 5174.08 167.94 60.77 180.46 236.04 236.67 129.96 256.94 131.73 139.06 181.89 198.73

0.1 -0.2 -1.0 0.5 0.0 0.1 -0.8 -0.7 0.0 0.0 -0.2

2.62 3.21 1.72 1.26 2.13 2.84 2.57 3.26 2.15 2.20 2.99

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-3.86 +0.05

Jointly compiled by The Pinancial Times Ltd., Goldman, Sachs & Co. and NetWest Securities Ltd. in conjunction with the institute of Actuaties and the Faculty of Actuaties

Gross Div. Yield

4.01 1.15 4.307 2.72 1.48 1.18 3.26 1.83 3.45 1.72 0.68 2.15 1.81 2.15 1.85 2.15 1.85 4.37 1.85 3.06 4.38

Activity declined sharply and share prices were flat as inves-tors worried over the yen's rise to new highs against the dollar and over Friday's futures settlement, writes Emiko Terazono

in Tokyo. The Nikkei 225 index rose 1.10 to 17,040.72 after a low of 16,849.92 and a high of 17,134.47. Share prices lost ground in early trading on lower futures prices, but overseas investors and domestic institutions were buying in small lots

Volume totalled 213m shares, the lowest since January 17, the day of the Kobe earthquake in western Japan. Exporters were sold on fears of lower earnings as the dollar rose to the Y92 level but late bargain hunting supported some heavy electrical and auto issues.

Although the yen's apprecia-

tion failed to trigger heavy selling, analysts expected the negative impact to filter through in the near future. "As long as the yen continues strengthen, hitting competitiveness and business confldence, the Nikkel will be in a recent report.

The Topix index of all first section stocks fell 0.69 to 1,361.65 and the Nikkei 300 declined 0.09 to 251.00. Losers led gainers by 509 to 488 with 166 unchanged. In London, the ISE/Nikkei 50 index fell 0.67 to

1.113.13. Nissan Motor rose Y9 to Y693, investors welcoming reports that the company plans to cut as many as 7,000 employees over the next three years as a part of a cost cutting scheme. Nissan later refused to confirm the news, but buying spread to other companies in

Y14 to Y774 and Isuzu Motors

Banks were lower on indexlinked selling. Industrial Bank of Japan fell Y40 to Y2,380 and Sakura Bank lost Y20 to

Traders pointed to fears of instability in the country's financial system, stemming from the prolonged debate over bailout of two credit unions.

In Osaka, the OSE average rose 39.13 to 19.062.78 m volume of 105.8m shares, investors bought defensive stocks, with Ono Pharmaceutical up Y110 to Y4,740.

The weak US dollar pressured many regional markets.

KUALA LUMPUR lost 2.7 per cent on foreign institutional selling as investors found no fresh stimulus after last week's unimpressive results from Telekom Malaysia last week. The composite index closed

26.24 down at 953.40 as Telekom Malaysia lost 90 cents at M\$17.00. HONG KONG saw losses in quiet trading which left the Hang Seng index 91.24, or 1.1

Turnover fell to HK\$1.9bn, compared with Friday's BANGKOK felt pressure from tight liquidity liquidity. and the SET index closed 26.60 lower at 1,235.73 as institutional investors liquidated

holdings and turned to cash. COLOMBO picked itself up from a 16 month low as recent corporate results, and Friday's announcement that the government had identified five areas with which to begin its privetisetion programme in April rekindled foreign inter-

S Africa finds support

Johannesburg attracted late demand to end mostly better as volumes picked up following a sluggish start and early gold share losses. The Inkatha Freedom Party's decision to

Pound Starting Index

| Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Index | Inde

124.96 148.40
142.09 142.13
131.38 128.37
90.81 167.89
193.92 207.90
139.07 171.88
125.16 132.64
115.10 115.10
255.63 334.28
163.02 191.51
56.05 81.65
107.19 85.68
370.50 478.80
606.47 5175.62 2
171.88 169.24
55.47 61.21
159.81 184.42
286.39 236.04
226.39 236.04
236.10 131.43
181.54 259.74
131.81 133.21
111.75 142.45
148.43 182.40
150.77 168.62

171.27 159.77 104.18 130.01 142.67 180.80 165.92 172.60

return to parliament also beloed the mood. The overall index was 8.4 better at 5,239.6, industrials gained 36.0 to 6,577.5 and golds added 16.6 to 1.495.6.

177.04 161.53
141.01 120.54
275.27 235.81
201.41 133.08
181.44 157.79
153.90 129.25
419.14 277.40
216.80 177.55
37.78 67.25
170.10 136.95
594.76 339.13
2414.12 752.84 1228.83 191.28
77.20 62.05
216.03 177.53
401.28 294.85
312.00 205.55
150.21 124.87
247.40 196.70
175.28 148.91

Solidity and profitability confirmed At its February 27, 1995, meeting CPR's Board of Directors approved the Group's accounts for the 1994 fiscal year

1994 RESULTS

in 1994, consolidated net income (Group share) totalied FRF 276 million as compared with FRF 342.1 million in 1993. Consolidated net equity amounted to FRF 3.34 billion as of December 31. 1994, for a balance sheet total of FRP 163 billion. The bank's solvancy ratio stands at 10.60 %, and 7.6 % for tier 1 capital.

In 1994, in a difficult economic environment, CPR maintained a satisfactory level of profitability thanks to its reliable risk management and control procedures.

Consistency: consistency was the byword at CPR in 1994 as the firm stepped up its efforts to develop and enhance its three core businesses: proprietary trading, asset management and brokerage.

Consolidation: The contribution of the firm's three businesses to Group income remained balanced. Operations for customers represented 34 % of year's income in a market to which there were fewer final investors. The contribution of proprietary trading (66 %) confirmed the bank's ability to generate recurrent profit by taking advantage of market spreads.

Proprietary trading Reduced exposure to interest rate fluc-

tuations reinforced the firm's strong resistance to the bond market crisis, as arbitrages on securities and floaocla futures were extensively developed. As for the bank's foreign subsidiaries, the activities of Paresco Inc. in the United States were affected by the rise to American Interest rates, and in a difficull environment, the London discount house Seccombe, Marshall & Camplon PLC remained profitable.

Asset management

Despite the stock market decline, the volumes under management by CPR Gestion icorporate investment management) and Schelcher-Prince Indivate fund management) remained slable at approximately FRF 50 billion. The amount lovested in equity funds and money market funds increased, compeosating for the deciloe in other catogories of products.



(1994 total FRF 344.9 million)

Brokerage

CPRI was one of France's most active primary dealers (SVT) in 1994 and its authorisation bas just been renewed by the French Treasury. This Group subsidiary also qualified as an official primary dealer for repurchase agreements (SPVT) in June 1994 and bas since expanded operations in this area. The Group confirmed its interest in financial futures markets by taking full control of its two brokers on the French lutures and options markets : [Matif and Monep), Paresco Futures and SP Options. In a difficult economic environment characterized by a walt-and-see attitude on the part of final customers, the broker Scheicher-Prince had a salisfactory year. The Group continued to consolidate its interbank brokerage activities and bolstered its international base by acquiring 38 % of the German broker Geldhandels GmbH.

Outlook

The crisis of 1994 and the problems which have affected world financial markets aince the beginning of 1995 highlight the Group's solidity. Its ability to respond, its cohesiveness and the professionalism of its teams. Risk management and control as well as market operations security remain key priorities which have enabled the Group to weather the storms in the markets and keep the confidence of its partners. During the second half of 1995, all the Group's teams will be reunited in a new building. This move will undoubtedly improve Group efficiency.

The Board of Directors has called an Ordinary General Meeting for April 26, 1995, at company headquarters. At the meeting, the Board will propose a net dividend per share of FRF 20, a sum which will represent a 10 % increase in dividends, in view of the growth in the number of outstanding shares. As in previous years, shareholders will be able to convert their dividends into CPR stock.



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